

1962

Cold War, world poverty, and land-grant colleges

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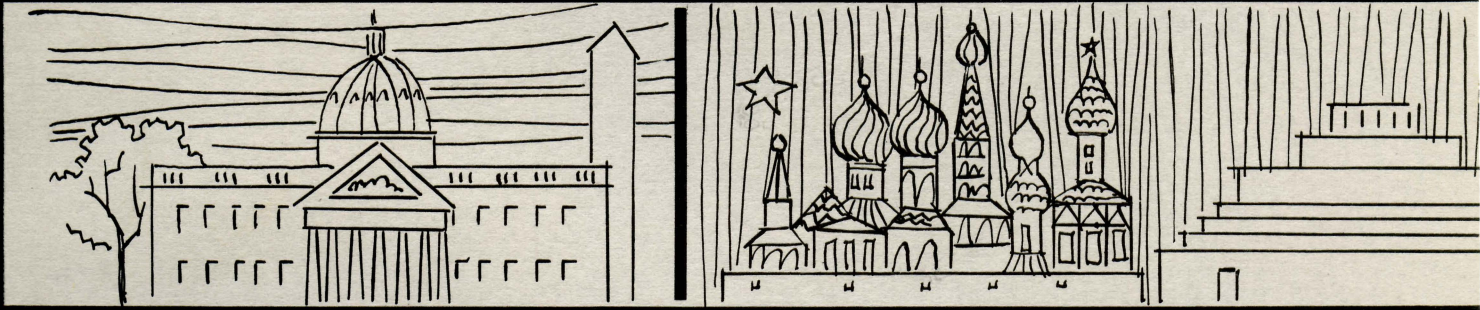
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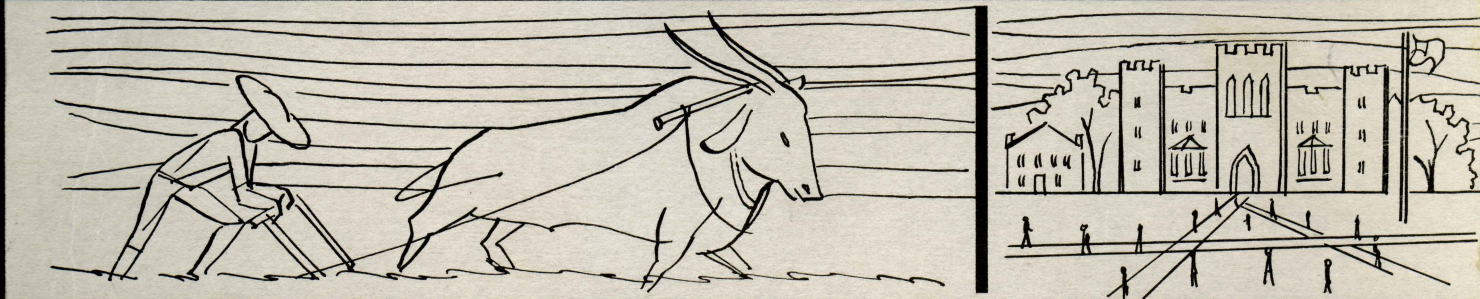
Allen, George R., "Cold War, world poverty, and land-grant colleges" (1962). *CARD Reports*. 12.
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COLD WAR,



WORLD POVERTY,



and LAND-GRANT COLLEGES



CAEA REPORT 11

CENTER FOR AGRICULTURAL AND ECONOMIC ADJUSTMENT
IOWA STATE UNIVERSITY of Science and Technology
Ames, Iowa 1962

COLD WAR, WORLD POVERTY AND LAND-GRANT COLLEGES

by

George R. Allen

University of Oxford

The Center for Agricultural and Economic Adjustment

College of Agriculture

Iowa State University

of Science and Technology

Ames, Iowa

1962

Work of the Center for Agricultural and Economic
Adjustment is supported in part by a grant from the
W. K. Kellogg Foundation

Errata

Cold War, World Poverty and Land-Grant Colleges, CAEA Report 11,

Iowa State University, Ames, Iowa, 1962

*** **

Page 36, line 3, make it read:

text, the opportunity costs of surpluses are probably not more than 10 to 15
(inserting the word "not")

*** **

Page 37, lines 8 & 9, make it read:

crops rather than on livestock, without relying predominantly, if at all, on direct
price incentives to farmers. The agricultural history of Japan up to the beginning
(substituting the phrase "without relying predominantly, if at all, on" for the
phrase "when there are few if any")

*** **

Page 95, 3rd line from bottom of page, make it read:

British experience is not atypical.
(substituting "atypical" for "typical")

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1. The first part of the document is a general introduction to the subject of the study. It discusses the importance of the research and the objectives of the study.

2. The second part of the document is a detailed description of the methodology used in the study. It includes information about the sample size, the data collection methods, and the statistical analysis techniques.

3. The third part of the document is a presentation of the results of the study. It includes a summary of the findings and a discussion of the implications of the results.

4. The fourth part of the document is a conclusion and a list of references. The conclusion summarizes the main findings of the study and provides a final statement on the importance of the research. The references list the sources of information used in the study.

5. The fifth part of the document is an appendix containing additional information related to the study. This includes a list of abbreviations, a glossary of terms, and a list of figures and tables.

EDITOR'S NOTE

George R. Allen of the Agricultural Economics Research Institute, University of Oxford, England, prepared this report at the invitation of the Center for Agricultural and Economic Adjustment.

In connection with his stay in the United States in 1960 and 1961, Mr. Allen came to Iowa State University at the request of the Center. He served as a visiting professor for approximately six weeks during autumn, 1961.

The observations and recommendations presented in this report are, of course, those of the author, and represent one point of view concerning the most practical way to bring agricultural supply and demand into balance.

However, the author's unique position should be noted. Mr. Allen is exceptionally well informed about American agriculture, yet unencumbered by vested interest in American economic theories or practices. He is in an objective position to point out the shortcomings of the present as well as the accomplishments of the past and possibilities of the future. His observations and recommendations deserve wide discussion and careful consideration by all persons interested in finding solutions to today's problems within the value system of the free world. They are of specific relevance to our foreign aid program and the cold war.

Perhaps at this point it is appropriate to note that the larger objective of the Center includes helping both rural and urban people understand and shape the necessary social and economic adjustments in our growing society. Thus the Center gathers factual information to explain the magnitude and nature of the agricultural adjustment problems and public policy alternatives that can be used to solve the problems. It helps carry this information through educational channels to the people concerned so they will have a basis on which to make intelligent decisions regarding agricultural adjustment and agricultural policy.

This report has been published in line with this larger objective.

The Editor

AUTHOR'S RECOMMENDATIONS

1. Research or Advanced Study---Land-grant colleges tend to devote most of their resources in the social sciences to research on primary data, usually with reference to internal United States problems and frequently on narrowly-defined subjects. They do this rather than emphasize advanced study (appraisal and synthesis of secondary information, i.e., research studies) with the object of getting a wider view of related problems and policies in the economic and social fields.

In the long run, advanced study, as defined, obviously presupposes a large amount of research, as defined. Yet, in relation to the world's problems, especially those in underdeveloped countries, there is an immediate and urgent need for a large number of university staff economists whose principal commitment should be, over the wide range of agricultural and agrarian policies, to assimilate a large body of secondary information, to synthesize from it, and to disseminate the results both on and off campus.

Perhaps only five percent of resources within agricultural economics and related fields should be redirected to achieve the envisaged benefits. Yet this shift underscores a strong plea for more generalists and less specialists.

2. The Role and Status of the Teacher--To create an academic climate suitable for generalists and to garner the fruits of their work presupposes a re-appraisal of the status of teaching, per se, in the land-grant colleges. Conversations with academic people in many colleges and the writer's own limited experience indicate that success in teaching is valued much less than success in research. "Publish or perish" is a reasonable rule if an individual's teaching commitment is to be within a narrow field. In that case stimulating teaching will generally presuppose successful and continued research on primary data.

But if it is granted that there is a need for more generalists, then for them research on the one hand and teaching and advanced study on the other, at least if simultaneously pursued, become competitive and not complementary. Working on primary data and writing up the results consume time and energy and mitigate against teaching in a successful, integrated way over a wide range of topics. There is an extremely important role to be played by the academic who is primarily a teacher with wide interests, who keeps most of his time for advanced study (as defined above) and who relies principally upon the spoken word to disseminate his understanding.

3. Extension Work and Adult Education--In line with the last two recommendations there is an extremely strong case for strengthening the efforts already being made in several land-grant colleges (Arkansas, Iowa, Pennsylvania and New York) to widen the scope of extension work by

providing basic material and guidance for farm community groups to discuss the more general problems bearing on local and state government and administration. In the process, extension work becomes adult education in the social sciences. A further need is to widen the terms of reference to take in the rest of the world and the United States' international policies.

4. Organization--The proposals made above generally do not involve any major changes in organization with the land-grant colleges which are unlikely to be self-evident. Presumably the main problem would be in judging the teacher, whose attainments obviously must be less tangible than those of a researcher.

One specific organizational proposal, it is hoped, would be favorably considered. Closer formal links should be established by the land-grant colleges with European universities having strong departments of agricultural economics. Apart from the reciprocal benefits for Europe, this arrangement would aid the United States. European academic traditions could be of great assistance in securing the new emphasis suggested above. In addition, such contacts would facilitate the more extensive tapping of the large amounts of expertise on underdeveloped countries which, by virtue of past imperial connections, exist in many European countries, including their universities. This, of course, is a wasting asset, but it is still substantial.

One specific way of fostering the proposed intercourse might be for inter-university agreements which would enable American postgraduate students to count work at European universities as part of their required course work for a Ph.D. at an American university. Formal arrangement would be required because of the need for an American student seeking an academic career to possess a Ph.D. Or again, some projects now being planned bilaterally between individual American universities and institutions in underdeveloped countries might be developed on a tri-partite basis to include particular European universities as third partners.

5. Important Topics in Advanced Study and Research--In view of the considerable economic element in present international tensions, certain subjects claim top priority. In advanced study a crash program is needed, especially for underdeveloped countries, above all for land, credit and marketing problems. In research a top priority is a thorough appraisal within a realistic set of political assumptions of the case for a greatly extended "Food for Peace" program, especially one which covers the whole Atlantic Community. In the longer run, the welfare economics of urban and rural geographic patterns of development seems important.

6. Political Science in the Study of Agricultural and Agrarian Affairs--The need today is for a political economy, rather than an economics, of agriculture and rural communities. To this end there should be much more scope for work by political scientists in the social studies work of the land-grant colleges, and they should work closely with economists.

PREFACE

Reading through this study, I realize that it may give a total impression which is unintended. Criticism is added to criticism that by the end a reader might ask whether I have simply indulged in an ever-present inclination among the British, presumably a hangover from 1776, to find fault with the United States, taking in my case, among other forms, an attempt to devalue the great pioneering advances in mathematical economics and econometrics which have come from American economists and agricultural economists in the last two decades.

This has not been my conscious intention; nor, I hope, a sub-conscious one. Such would be a poor recompense for the many kindnesses shown to me during the year I spent in the United States in 1960 and 1961, for the initial invitation of, and, of the long stay at the Department of Agricultural Economics of the University of California, for the subsequent invitation from the Center for Agricultural and Economic Adjustment at Ames which prolonged my sojourn and widened my experience, for the considerable time which colleagues from many land-grant colleges have given to answering my questions on various occasions, and for the assistance of the Fulbright Commission throughout the year.

I have concentrated on important defects, as I see them, of the land-grant colleges and I have tried to state my case vigorously. Such an approach seems to be demanded by the international economic and political crisis of our times. If I were writing about British, or more generally European, agricultural economics and related studies, I would follow the same approach for the same reason, although the suggested deficiencies would mostly be different from those discussed here and would be emphasized, in large measure, by highlighting such achievements of the land-grant colleges as the combination of economics and technology to produce authoritative experts to a degree not found in Europe (especially in marketing), and their progress in econometrics and in mathematical economics.

In our continuing discussions in the West and across the Atlantic to make our universities better equipped to provide the well informed basis of public opinion which is necessary if we are to survive the Cold War and the Nuclear Terror and if we are to become prepared and able to give more effective economic aid and guidance to the materially poorer regions of the world, we cannot afford to bask in the record of our achievements. Let us rather concentrate on seeking out our limitations and removing them, always taking care that in the process the many worthwhile and continuing products of our past efforts are not destroyed or weakened.

George R. Allen

December 1961.

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INTRODUCTION

The land-grant institutions of the United States are almost unique among the facilities for higher education and research relating to agriculture in the western world and in other countries. They have brought the natural sciences to bear on the technical problems of agriculture at least as effectively as have the various agricultural colleges and agricultural departments of universities in other western countries. But their special contribution, on average not matched elsewhere, has been to make the social sciences meaningful in the production, marketing and distribution of food and fibers. This marriage of the natural and social sciences, with a high standard of economics at the core, has played an extremely important role in the exceptional agricultural progress of the United States, to a large measure as a result of close association of academic workers with an agricultural extension service which both in range and depth of its activities cannot be matched by other countries and which is part of the land-grant system. The record of their own achievement is, by itself, one of the most important pieces of instruction that land-grant institutions can bring to the rest of the world, especially to the underdeveloped countries where agriculture is too frequently despised by those who have received a high school or university education.

Yet radical changes seem to be needed in the orientation and programs of the land-grant colleges. First, the major problems of United States agriculture have changed and are no longer those simply of maximizing technical progress in the industry. With the sustained and generally severe pressure on farm incomes, as demand for most farm products has tended to grow less rapidly than supply, there has come recognition that the colleges must look beyond the needs of enabling American farmers to become technically more efficient or even beyond the opportunities for securing more economical systems of marketing. The research, teaching and extension activities of the land-grant colleges must be enlarged to show how agriculture might adjust itself within the changing American economy - for example by developing new markets, even if they be subsidized, by limiting supply or by finding means to enable more farmers to find alternative and more remunerative work. Such is the philosophy underlining the work and publications of the Center for Agricultural and Economic Adjustment.

Another need remains. What should land-grant colleges do to help a world which, under many and growing economic political tensions, is in the process of rapid and often violent change and revolution and which, many would feel, is almost at the end of its tether and of its ability to retain the minimum of order to secure the continuance of life on this planet?

Stated in these terms, the question might seem outside the competence or academic obligation of a land-grant college economist to his society, at least in his professional career. This is not so. First, many of the world's problems today are clearly the consequences of agricultures which are

performing unsatisfactorily in underdeveloped countries or of international agricultural trade policies which often depress the economic welfare of poorer countries; and they could be lessened, as we shall see, by changes in emphasis in the agricultural policies of the rich countries.

Second, in their commitments to assist rural communities to make rational decisions concerning their well-being, the economists and political scientists in land-grant colleges are well qualified to set before rural people the relevant material on the biggest issue facing them all - the economic and social requirements for a peaceful world. It is surely much more relevant today to explain to rural (and urban) peoples in the United States, and in many other countries for that matter, the possible political and economic implications of, for example, different levels of economic aid to India or of the alternative benefits from extending aid to underdeveloped countries and from equivalent expenditure on space travel than it is to indicate whether or not an individual farmer should add more fertilizer to his crop. One might ask these questions of those who argue otherwise: how else is an open society to face the complex problems of the world today? Who else should be better equipped to set out the facts than the academic economist or political scientist, and, in addition, to provide fruitful interpretations of the facts?

In making these claims, I am conscious of reflecting an academic tradition somewhat different from that of the land-grant colleges. There is a greater willingness among British social scientists to engage in presenting issues or in advocating conclusions with direct political implications than is generally found among their land-grant college colleagues¹. No one can deny that the latter's avoidance or minimization of involvement, even indirectly, in issues which are politically controversial has greatly assisted in building the public reputation of the colleges among the people they desire to serve². Moreover, one cannot deny that in the last resort the extent of academic freedom is decided not by university workers, but by the public's attitude. Detailed consideration of many of the issues set out in this monograph carries the risk of leading to serious public misunderstanding concerning the

¹ With the possible major exception of Germany, the traditions in most parts of Western Europe are similar to those in Britain. The gains are not entirely one-sided. As will be argued later, there is probably insufficient specialization, from a purely academic point of view, within a particular discipline such as economics in some British universities in contrast with, in the writer's opinion, excessive specialization in the United States. The British bias is partly the consequence of the greater political involvement.

² A good example is provided by the vigorous defense by Iowa newspapers, especially by the Des Moines Register, of Iowa State University economists whose work had come under attack by the Farm Bureau early in 1960.

independence and objectivity, as far as anyone ever can be objective on important political issues, of social scientists in the land-grant colleges. In such circumstances loss of good will might also damage the opportunities for natural scientists working there.

But these risks cannot be avoided in the present times of crisis. The population explosion in Asia, the agrarian and urban unrest of Latin America, the political emergence of Africa and the Russian man orbiting the earth leave us no choice. And time is running out - fast.³ In the Dark Ages, it is reported, educated men retired to the monasteries to follow the contemplative life because the world outside was too horrible. We must not act in an equivalent way today by concentrating all or too much of our research and teaching energies on economic and social issues of secondary political significance. Yet there are many temptations to do this, especially the intellectual attractions of the many pioneering developments in new methods of aggregative and quantitative economic analysis, or of many, but not all, theoretical refinements which offer little prospects of speeding empirical advance to an already well worked-out body of general economic analytical principles.

³ From a related point of view, Professor Lawrence Witt has recommended that agricultural economists play more part in forming public opinion. "We should stress the importance of value formulation as a vital contribution of our work. We cannot expect the general population to urge upon Congress the importance and validity of certain values which Americans have respecting other peoples, unless we, ourselves, as professional social scientists give a part of our effort to the study of values in the interrelationships of foreign and domestic policy. If you believe, as I do, that the lack of a positive foreign policy is a major criticism of America's world position, then the creation and advocating of such a program is fundamental. Against the alternative of thermonuclear war, or even the threat of it, any economic development effort is small change. Surely when the history of the 1960's is written (assuming there is someone to write it), it should not be said that the trained minds stood aside when these human values should have been discussed." Center for Agricultural and Economic Adjustment, Report No. 2, Demand for Farm Products, page 61

THE POLITICO-ECONOMIC SETTING

In her book, India and the West, Barbara Ward mentions the plight and discontent of the large number of educated young Indians who are unable at the present time to find profitable employment in their country. She refers to them again in discussing the ideological conflict between the West and the Communists.

"At present, a Western student involved perhaps on a joint work project with Indian students from the troubled universities of Calcutta or Lucknow cannot explain coherently what the West really intends. He cannot say that Western governments are finally committed to positive, long-term economic aid aimed simply at bringing the rest of the world level with the developed lands. He cannot explain, with missionary fervor, how his nation's domestic principles of justice and solidarity must now be made world-wide. He cannot say that the deepest traditions and highest aspirations of the West are involved in the great task of world reconstruction. He cannot boast that he and his sons and his sons' sons will be engaged in the task until a modest affluence in bread and work and shelter is the lot of all mankind. He cannot, therefore, even begin to talk of the value and advantage of free institutions; for, as an American extremist once remarked, in these days 'the rich want liberty but the poor want ham and eggs.' So he loses out in the argument to the well-trained young fellow from Moscow who genuinely believes himself engaged on a crusade for all mankind, and who attacks the Western student for belonging to a society which puts profits first, exploits the world, grows richer while the rest grow poorer, and does nothing to lessen the gap - save perhaps when a Communist scare leads to some improvised and half-baked activity." (India and the West, W. W. Norton and Company, 1961. p. 242)

Another writer, J. K. Galbraith, now United States Ambassador in India, presents another problem for the United States in an essay, "The Strategy of Peaceful Competition," in his recent book, The Liberal Hour.

"Above all, we must not assume that because the Soviets have a planned society and we, in general, do not, our rules preclude a planned response to Soviet initiatives. There is a dangerous tendency to imagine that faith in a free society means faith that it will accomplish everything that is needful without effort or direction. Or at most, incantation is all that is required. The affect of such a doctrine - a ruling doctrine in recent years - is to exclude an effective response

to Soviet competition on grounds of principle. It means that we must fail because to succeed would be in violation of our ideology. For, in fact, most of the things which effective competition requires will also require effective government leadership. There is no alternative." (The Liberal Hour, Houghton Mifflin Company, 1960. p. 17)

Stated simply, these quotations pose the two critical issues for the West in its relations with the peoples of underdeveloped parts of the world.

- (1) Does it really care about their plight and do they believe we care?
- (2) Does the West, above all the United States, really understand their plans for development and why these often take a form at least superficially different from those which the West itself has been able to pursue successfully in the century or more of economic development?

The second question is directed more at the United States than at Western Europe because European thinking and experience testify to a greater readiness to accept a positive and extensive role for government and public enterprise than is the case in the United States.

Do We Care?

Does the West really care? To many people in Western Europe or in North America sincerely concerned about the fight against poverty in Africa, Asia and Latin America this question will come as a shock, perhaps a severe shock. After all, large sums of money have been provided to aid underdeveloped countries by the United States since the end of the war and, in more recent years, by Western Europe as well. United States aid to India is about six times that of the U.S.S.R. The West as a whole, excluding short-term and long-term capital loans made to underdeveloped countries in response to ordinary profit incentives, has in recent years provided economic aid of various kinds in value many times that provided by the U.S.S.R. and Communist China. In addition, loans made through normal commercial channels, especially long-term loans, even though much of their benefit has accrued directly to the richer countries, have done much to aid economic development, especially as the oil producing countries in recent years have been able to secure larger royalties from the industry.⁴

⁴ The United Kingdom, for example, has lent large amounts of capital, often with serious short-term consequences for its balance of payments. Indeed, in recent years there has been a lively controversy concerning the extent of this foreign lending; many critics have argued that it should be curtailed by government control. Ironically enough, many of the vocal opponents of Britain's present role as a long-term lender are economists who in other respects strongly advocate increased aid to underdeveloped countries.

How do the aid programs of the West and the Communist countries compare? There is, in the first place, disagreement on what should be counted as aid. It can be argued that the normal commercial capital flows from the West should be ignored. For example those going to oil fields and plantations, because they directly add to the economic well-being of the West as much as they assist underdeveloped countries. These loans are inspired by self-interest and we cannot, therefore, claim them as a measure of our generosity. The underdeveloped world, generally speaking, will give us no credit in the Cold War for these loans, especially as they are still sometimes feared as involving the risk of continuing colonialism in an indirect form.

We should count as aid grants or loans which do not directly benefit the Western economies and which would not have been made available if they had been required to pass the conventional tests of economic profitability. Even with this definition, there is great difficulty in reconciling the various sets of statistics available. One of the great problems is that the amounts allocated as available for aid within a specific period are not always used during that time.

The following summary provides an approximate estimate of the aid which, as defined above, was used in 1959-60.⁵

Table 1. Value of Aid to Underdeveloped Countries, 1959-60

U.S.A.		(Billion dollars)
Development Loan Fund		.7
Export-Import Bank (net loans)		.3
Food surpluses under P.L. 480		
(nominal sale value)		.9
Technical Assistance		.2
Emergency Fund		.2
		<u>2.3</u>
Others		
U.K.)	(.2
France) Public grants and loans	(.5
Others)	(.1
Technical Assistance (Including from U.N.)		.2
		<u>1.0</u>

⁵ These statistics are drawn from P.N. Rosenstein-Rodan, "International Aid for Underdeveloped Countries," The Review of Economics and Statistics, May, 1961. The new Alliance for Progress between the United States and Latin America will add substantially to western aid. Two billion dollars annually is to be provided, \$1.1 billion from the U.S. government and the rest from other sources. But this will apparently include current aid so that the net increase will be much less than \$2 billion.

In all, the West provided aid in 1959 and 1960 to a value of 3.3 billion dollars. During the same period, Russian grants and loans used (as distinct from those granted) amounted to 0.5 billion dollars. The amounts of annual aid earmarked by the Russians are much larger than this sum and appear to be growing rapidly.

But in the underdeveloped countries the parable of the widow's mite has a strong appeal. Russia is known to be much poorer than the West. The following statistics provide a rough measure of the differences in wealth of the West and the U.S.S.R. and, therefore, in capacities to aid poor countries. Broadly speaking, the West has provided annually in recent years aid equivalent to less than one-third of one percent of its gross natural product - not much.

Table 2. Populations and G.N.P.'s in Various Regions of the World

	Percentage of World Population	Percentage of World Total GNP In Real Terms	Total GNP in Real Terms (Billion dollars)
U.S.A.	6.2	29.4	515
Western Europe	8.7	22.0	385
U.S.S.R.	7.2	12.1	212
South and Central America	7.0	5.1	89
Noncommunist Asia - Excluding Japan	26.1	6.8	120
Africa - Excluding South Africa	6.9	1.9	34

Source: P. N. Rosenstein-Rodan, "International Aid for Underdeveloped Countries," The Review of Economics and Statistics, May 1961.

Note: These statistics provide only rough orders of magnitude, especially in view of the great difficulties in making international comparisons of the value of money.

The West is thought, with a considerable element of truth, to have been lucky in having favorable environmental factors to assist its economic development and to have built up its vast wealth partly at the expense of the poorer countries of the world. For example, European or American traders are often considered to have used their bargaining power unfairly and colonial governments to have obtained much more from their colonies than they provided to them.⁶ The United Fruit Company, to cite but one case, is still often regarded as the "Empire in Green and Gold."

⁶ These economic criticisms are often emeshed with and exaggerated by the clashes of cultures which followed in the wake of Western commercial endeavors. The disruptive effects of contact with the commerce of the West on 19th century Chinese society are well known. They led to a smouldering resentment of western countries long before Communist influence added even stronger stimulants to anti-western feeling.

Then, with its particular strategic advantage from having a centrally planned and authoritarian society, the U.S.S.R. has so far been able to apply its foreign aid in locations and forms most calculated to be noticed and to appeal to underdeveloped countries. For example, U.S.S.R. initiated the practice of providing complete steel mills in India. Britain and Germany followed suit much later and, especially as far as the German arrangement was concerned, on much less favorable terms.⁷

Thus many of the articulate members of underdeveloped societies are not overimpressed by the extent of aid which the West has provided to them. Perhaps they are justified and would be entitled in directing at us the admonition found in Shakespeare's King Lear.

Take physic, Pomp,
Expose thyself to feel what wretches feel;
That thou may'st shake the superflux to them,
And show the heavens more just.

King Lear, Act III, scene iv

⁷ On Russian aid, the United States Department of State comments as follows:
 "On the whole, it would appear that the aid of the Communist Bloc countries has been negotiated and administered with skill, speed, and sensitivity. There seems to be a growing receptivity to aid from the Communist Bloc even among countries close to the United States . . . The increasing influence of Communist Bloc aid is felt in key economic sectors of some countries: in the close trade ties established with the Bloc under the aid agreements, in the presence of Communist advisers in important ministries, and in a tendency in some quarters to look to the Communist experience as a model for economic development . . . The aid projects themselves have usually been addressed to important sectors of the economy and often executed in full by Bloc personnel with provision for training of local personnel to replace them. Usually there have been no detailed requirements for the economic justification of individual projects. These have been selected because of their political-economic impact and the high priority given to them by the recipient country . . . It can be assumed, however, that the bloc countries will encounter some of the same nationalistic, neutralist, and bureaucratic sentiments and difficulties the United States has met, but so far these have not been a major problem." An Act for International Development, a Summary Presentation, June 1961, Department of State, United States of America, pp. 185-87

By any reasonable standard for discussion - whether it be humanitarian appeal or the widely-agreed social and political objectives which the West wishes to achieve through the world - our aid programs are too small. The greatest democratic experiment in raising living standards from subsistence levels - in India - is almost at the breaking point. If it fails, it will surely give way to the totalitarian path to greater economic growth. In many parts of the world, real income per head is stagnant or falling in the face of increasing population pressure; elsewhere it is not rising fast enough to enable politically conscious, active and powerful groups, such as the urban proletariat to escape quickly enough from the appallingly low standards which have been their lot on earth and which they are no longer content to tolerate.

And, if the West would provide aid on a much larger scale than now, many actions and emotions harming progress in underdeveloped countries, which will be discussed later,⁸ would fall into better perspective. Barbara Ward, in following up her previously quoted statement, states the issue clearly.

"But if patiently, doggedly, co-operatively, undeterred by difficulties and setbacks, unconcerned by criticism and misunderstanding, the Western Powers set themselves to create the agencies of joint work for world development, and if they financed them adequately for the enormous task, the young Western student would no longer be unable to give a reason for the faith that is in him. His argument would be action, his proof the facts. And the process of disproving the Marxist myth - a process which began with the first Factory Act and the first shilling in the income tax - would have been completed by replacing the picture of imperialist exploitation with the reality of worldwide economic aid." (India and the West, pp. 242-43)

Our task of doing what we can to enable underdeveloped countries to make better use of their resources than they now do would be much easier if we were confident that we could show that the West has a burning, missionary zeal to raise living standards where now poverty is a commonplace. For example, in this paper many remarks will be made criticizing policies being followed in underdeveloped countries. But it is a distinctly uncomfortable task in leveling criticisms at underdeveloped countries on the grounds that their programs often damage their own economic prospects when one considers that they regard the West as a whole as somewhat, if not almost completely, indifferent to their plight, except in relation to the Cold War - and when one shares that feeling.

⁸ Such as the colonial exploitation thesis and the resulting, often costly economic nationalisms.

The overriding need in land-grant colleges today, as in other academic institutions, is to stimulate discussion and indicate the implications of current aid programs of the West and the Communist Bloc. We should not regret the aid which underdeveloped countries can obtain from Communist sources. Discussion and analysis of our own programs will show how, by much greater economic assistance, strategically applied, we can turn this Communist support to the general purpose of creating economically progressive and open, liberal societies in Asia, Africa and Latin America.⁹

This task of analysis, discussion and dissemination is not as simple an assignment as it may seem. Certainly a massive, crude and emotionally highly-charged campaign of propaganda is not proposed. Discussing the inadequacies of our aid programs does not simply involve saying more aid is needed nor indicating, as far as the land-grant colleges are concerned, that extended aid will directly or indirectly increase the market for farm products from the United States. The process of education, information and persuasion is more complicated. It should, for example, include the following.

First, there is the mechanics of "take off" - explaining how capital accumulation of both human and material resources and population growth interact to prevent or enable a country to achieve sustained growth. It is important to indicate how a successful aid program may require large quantities of assistance in the early years in order to permit "an economic breakthrough." Without a "breakthrough," aid on a continuing basis can simply be the throwing of good money after bad.

Second, much effort will be needed to establish relationships between economic programs of growth and institutions conducive to the building up of democratic societies in underdeveloped countries. Do people in the United States appreciate the extent to which underdeveloped countries, anxious to achieve and maintain free societies, but with limited resources, feel the need in the course of their development to adopt measures of governmental intervention not generally acceptable in the United States? One must explore to what extent the initial material, political and social conditions in underdeveloped countries seeking growth permit an institutionally-organized program of growth similar to those followed in the United States or the United Kingdom during their century and a half of economic progress before, say, 1930.¹⁰ It may be necessary to bring in a political scientist to

⁹ For example, if it were considered that the Russian-type concentration on heavy industries and neglect of agriculture is undesirable in countries such as India. The Western aid could be directed so as to offset the development tendencies promoted by Communist grants and loans.

¹⁰ Popular feelings in the United States as to what constitute appropriate development policies appear to draw instinctively more on the experience of the nineteenth century and early years of the twentieth century than on that of the years of the New Deal and later when the government has intervened more extensively in the economy.

help rural peoples decide to what extent different institutional approaches, such as the considerable degree of state intervention in India, are consistent with the goal of achieving societies which, allowing for the different cultural backgrounds and attitudes of their peoples, are equivalent to the decentralized liberal society outlined in the American constitution.

Third, there are many possible effects on the American economy to be considered. For example the effect on the balance of payments or on the relative income positions of different social groups.

But, the main problem is to make known the extent of poverty in the world and its many direct and serious implications for the future well-being of people of both rich and poor countries.

Do We Understand?

A recent Iowa State University, Cooperative Extension Service extension sheet states: "We do not feel compelled to remake the world in our image."¹¹ Yet large numbers of Americans seem to be perplexed or disturbed when they see other societies outside the Communist orbit actually or apparently adopting political systems and economic measures radically different from their own. Military governments replace (usually inefficient or corrupt) democracies. Governments pledged to maintain democratic institutions prefer to work for communal-type farms rather than family farms, or keep the development of large parts of the manufacturing industry sector under their own direct control. Private enterprise merchants in the agricultural sector are penalized so that cooperatives, often highly subsidized and sponsored by the state but not springing directly from the initiative of the farmers, may handle the trade in farm requisites and output. Manufacturing industries are subsidized or are protected from foreign competition by tariffs or by severe licensing of imports. Countries turn to heavy and highly inflationary deficit financing to meet their public expenditures, including large investment outlays. Countries ask for foreign aid; yet at the same time, they are still often suspicious of American or European entrepreneurs who want to establish private businesses within their frontiers.

In part, but only in part, there would be fewer such perplexities or misgivings if it were recognized that the United States -- and other recognizably friendly and democratic countries -- pursue somewhat similar national and international policies. For example, the United States has had heavy tariffs on manufactured goods for decades. Again, Puerto Rico has its successful proportionate profit farms, which correspond much more to

¹¹ The Iowa Future Series, Fact Sheet, No.1, p. 5

communal-type farming than to family farming. Almost all Western European countries have important nationalized sectors in manufacturing, transport and fuel industries.

In part, a broader historical perspective would help to indicate that some of the present developments in some underdeveloped countries are not necessarily incompatible with the ultimate attainment of democratic standards, which are the political yardstick of the West. After all, our Western democracies are fairly new. In two centuries the United States has developed from an oligarchical republic to a democratic republic and the United Kingdom from a monarchy supported by an oligarchy to a democratic monarchy, as universal suffrage has been gradually attained in both countries.

But there may be a much more important barrier to understanding and appraising what is happening in the underdeveloped world, namely the highly successful history of economic, social and political development which is the heritage of citizens of the United States today. This heritage seems to create difficulties in appreciating and appraising the reasons for some of the forms which the world revolution is taking.

There were three unique factors in the experience of the United States during the one hundred years before the New Deal. Only a few other countries have enjoyed a comparable experience - Australia, New Zealand, Canada, and to some extent South Africa and a few limited regions of South America. Unless these exceptional features are recognized, there will be a natural and widely held tendency to assume that United States institutions, methods of governmental organization, roles of government, and attitudes towards public policy, which generally have stood the test of experience well in the most important decades of economic growth, can be directly applied in many underdeveloped countries.

First, perhaps to emphasize the obvious, the United States was in its formative years of the early colonies and of the movement westward in the 19th century, built up by an immigrant people. In the nature of the case, voluntary international migration is highly selective towards the more efficient and energetic.¹² People became voluntary immigrants, even if pressed by poverty to move, because they had the vision to recognize potential opportunities, because they were prepared to take more than

¹² To some extent this might be true of the involuntary immigrants transported to Australia as convicted criminals in the 19th century. Often they were people who were forced by extreme poverty, not by innate criminality, to act in defiance of the repressive penal system of the time. The "Tolpuddle Martyrs" - sentenced and transported to Australia in the 1820's for attempting to form an agricultural workers union in Dorsetshire - are the obvious example. But there must have been very many more. Not only defiance of harsh labor laws but acts of theft must have reflected as much a willingness to face great odds, including the death sentence, as a feeling of complete desperation.

average chances and, in many cases, because they had been able to rise above the typical, very low standard of success in their old communities and to acquire the critical although minimal financial resources often required to meet the costs of migration or of resettlement. Moreover, whether in the 17th century or the 19th century, they came mostly from nations with considerable commercial and other entrepreneurial experience.

These considerations and the stimulus of a break from the past and from handicapping traditions mean that in the period under consideration the United States certainly had a population whose quality, from the point of view of economic development, was much above average. Social and economic progress did not depend upon the initiative of a few, upon a revolution imposed from above. The "grass roots" were vigorous; progress could spring from them.

Second, these immigrants came to a continent much richer in resources relative to its existing population than most other parts of the world. The new continent had an agricultural potential well suited for development by pioneering family farms. It was not already socially and economically organized on the basis of institutions and traditions unfavorable to economic progress. Given these opportunities, the lack of constraining traditions and the exceptional energy of the American people, it was possible to envisage and achieve satisfactory economic development based on minimum government intervention and maximum private responsibility, especially as far as agriculture was concerned.

Later in agriculture, as in other sectors of the economy, the process of economic development demanded greater government action. Settlement took place increasingly in more arid zones needing large irrigation systems. Specialized crops began to be developed regionally, requiring more complex marketing organizations than individual producers or small groups of producers could achieve.¹³ Government intervention became necessary to support farmers' incomes to give a measure of short-term stability and long-term prosperity. But all of these interventions left the family farm-type of organization as the most appropriate unit for development of the land within the technical and marketing structure provided by government.

¹³ It is perhaps not surprising, given its special production and marketing problems, that California agriculture has relied on positive government intervention apparently to a much greater extent than any other part of the United States. The Agricultural Code of California provides for a degree of governmental control found in very few other countries. Western Europe, which is more prepared to extend the role of national, regional and local governments than the United States, generally has a less comprehensive set of controls than are provided by the marketing orders and agreements in force in California.

Third, in its critical stages of development, the United States has been able to avoid almost completely what Karl Marx characterized as the Calvary of Capitalism - that is, under conditions of heavy population pressure on resources, the severe and generally brutal depression or holding back of current living standards of the great majority of people in order to finance economic growth.

Even in the United States, to some extent, the welfare of existing generations was reduced against their wishes for the benefit of posterity. This is not perhaps widely recognized because the means whereby the economic system achieved the end are not so evident as they are in the histories of many other countries. An example is the railways' freight monopolies and concessions of public land. By means of these they were able to transfer to themselves part of the product of many individuals' efforts, especially in view of the low supply price of farmers (whether immediate immigrants or not). This development served to increase the wealth of city financiers, merchants and industrialists, who used much of the gain for capital formation.¹⁴

But this transfer from consumption to investment was nothing as compared to that experienced by most countries during their "take offs" and "break throughs" to sustained economic progress. The depressed incomes of the workers of the early Lancashire cotton industry or the sufferings of the smallholders and landless laborers rendered destitute by the British enclosure movement at the end of the 18th and the beginning of the 19th centuries are more typical illustrations. Yet, but for the slums of Lancashire during the Industrial Revolution¹⁵ or the savage poverty in rural England at the same time, as well as the existence of industrialists, merchants and landlords interested in using their gains from the low supply price of labor to promote growth, the world today would probably be materially a much poorer place.

Again, population pressure was often so severe in Sweden during the middle decades of the 19th century that when there was a harvest failure, parts of the rural population were forced to live on bread made from the barks of trees. There, as in Britain, population pressure served to keep the entrepreneurial class rich and the great majority of people at the subsistence level.

As a final example, Japanese experience is much closer to that of Britain or Sweden than to that of the United States. The government took great pains to promote technical progress in agriculture and there were large numbers of landlords eager to exploit new opportunities. Yet,

¹⁴ The early history of the Grange stands as a reminder that "forced savings" played some part in the earlier development of the United States.

¹⁵ So vividly portrayed in the novels of Mrs. Gaskell.

critically important was the heavy land tax whereby the standard of living of the great majority of rural people was kept low, despite their increasing productivity and production, in order to finance general economic growth.

Fourth and last, we can note a few more especially favorable factors bearing on the policies used to stimulate growth in the United States and Western Europe in the 18th and 19th centuries. As far as the United States was concerned, many of the resources of the continent, mineral as well as agricultural, could be fairly easily tapped to yield important sources of export income. At the same time, foreign capital could be relatively easily obtained from Europe, mainly from the United Kingdom, partly because the personal and ethnic links of borrower and lender were often fairly close. Western Europe was greatly aided in reducing chronic population pressure by being able to export much of its surplus population to the open lands of North America and Australasia. For example, from 1850 to 1910 almost 1,300,000 Swedes emigrated, mainly to the United States; during the same period the population remaining in Sweden rose from 3,500,000 to 5,500,000.

In the recent experience of underdeveloped countries, we can find many instances where rapid economic growth has been assisted by, or has been compatible with, institutions and policies similar to those developed in the United States, or in certain respects in the United Kingdom, in earlier decades. In addition, as will be discussed later in relation to anti-colonialism, underdeveloped countries ignore many methods of speeding economic progress similar to those which played important parts in the development of the United States or of the United Kingdom and which would often be more appropriate to the ends sought than the policies already followed.

As illustrations of the use made of Western paths to progress consider the role of the family farm in certain countries. Ghana has very easily been able to tap economically the important export income from cocoa production on the basis of small-scale peasant production. So has Uganda with its coffee and cotton. In some areas of East Africa policies for developing peasant farms, largely for self-subsistence but with marketable surpluses, seem efficient at the present time and are making progress, albeit slow.

Yugoslavia has modified its original communistic objectives and recognizes the value of family farms. Outside certain areas in the Danubian plain, where there are important economies of scale, family farms seem to be consistent with and probably the cause of much of the recent rapid economic progress in agriculture.¹⁶

¹⁶ Some assistance to Yugoslav family farms is coming now from enlightened share-cropping schemes which have been worked out between cooperative farms and nearby peasants in order to spread new techniques.

An example of the use of a different western path to economic advance is the great assistance given to Puerto Rico by the large-scale migration of Puerto Ricans to the United States mainland.¹⁷

By contrast India provides an illustration of the frequent rejection, usually for political reasons, of such "classical" possibilities as remains economically appropriate. Migration of labor from India to other Asian countries to work on plantations or engage in other unskilled or semi-skilled work is now prohibited, in part almost certainly because of the emotional association of such a movement of labor with the indentured "coolie" migrations to, say, Malaya or the Fiji Islands under British rule. The result is to make even more difficult the task of raising living standards in the most heavily over-populated areas of India, especially in the South. As another and more general example, the handicaps and often sheer uncritical prejudices against agricultural merchants engaged in private enterprise in some countries, especially expatriates, have already been noted.

But, opportunities to follow the free enterprise path to economic progress, whether they are taken or not, frequently represent in underdeveloped countries the trimmings rather than the heart of ideal policies to promote economic growth. This is simply because the basic conditions are radically different from those in which growth had to take place in the West, especially in the United States. In many underdeveloped countries it is totally unrealistic to expect that a movement for economic progress can spring from the "grass roots." The people are frequently illiterate and their energies are sapped by backward looking traditions and by inadequate diets. In these circumstances, economic revolutions depend upon the initiative of the few. Revolution must come from the top - that is the government must be more directly concerned in promoting economic growth than was the United States government in the nineteenth century. If it is wise, the government will give great attention to raising the general economic quality of its population and it will consider carefully before cramping the activities of its entrepreneurial classes whether in private or public enterprise. But in the meantime the government will be an important source of initiative. Anyone who doubts this should remember, or inform himself about, the role of the Japanese government in promoting Japanese economic growth from 1870 until the beginning of the first world war.

Again, unless there is a much greater volume of foreign aid than at present most underdeveloped countries cannot avoid the Calvary of Capitalism - the need to tax the present generation heavily if rapid economic growth or even if a "breakthrough" is to occur. Such is India's dilemma today. It is trying to reconcile the welfare of its present population with heavy demands for investment funds necessary to enable real income per head to rise appreciably. Again, General Peron's attempts in Argentina

¹⁷ Those who see Puerto Rico as a model for other underdeveloped countries should remember that abundant emigration opportunities has probably been the pre-condition of the Puerto Rican success story.

to establish a state monopoly in meat marketing was conceived and conducted primarily to raise development funds. The instinct was understandable even though the economics was unsound.¹⁸

As a special corollary, it follows that many underdeveloped countries will be loath to abandon institutions which they have developed or inherited from previous colonial regimes if these make possible "forced savings" to finance growth, - and if they are not associated with earlier alleged "colonial exploitation." In West Africa the various marketing boards for export crops in the ex-British territories, such as the Cocoa Marketing Board in Ghana, may be cumbersome and unnecessary organizations if one thinks simply in terms of marketing efficiency. And furthermore, export taxes could be used just as efficiently as the boards to hold back part of the sale values of crops from producers for use in general economic development. But the boards are an administratively efficient means of achieving this last objective. And they work. In view of the needs for development funds one can understand why governments prefer the systems they have rather than experiment with others which might do the job more cheaply.

Finally, conditions in many underdeveloped countries make the nineteenth century-type family farm unsuitable for them. The implications of heavy population pressure on the land will be discussed later. Even apart from this, the family farm in the traditional American sense is not an appropriate form of organization in many areas. Thus direct government participation in farming or an efficient private landlordism, if it is politically acceptable, is necessary. The basic development work to be undertaken, the lack of initiative and know-how among local people, and perhaps some important economics of scale, if only in related processing and marketing operations, lead to a need for an operation much larger than can be encompassed by the individual family farm and, so, a need for a different form of organization. The proportional profit sugar farms in Puerto Rico, the landlord-tenant system involved by the one-time plantation workers and the Australian Sugar Refining Company in the Fiji Islands or the sharecropping scheme for cotton in the Sudan are examples.¹⁹

Enlightenment on the reasons for dissimilarities in institutions and policies among nations whose social and political objectives for their own societies are the same or are derived from the same ideals, including assessment of how far such dissimilarities are inevitable or perhaps even necessary, is the known task of research and teaching in comparative

¹⁸ The policy was doomed to failure, mainly because Peron persisted in subsidizing domestic consumption but also because no account was taken of the vagaries of the widely fluctuating cattle cycle in Argentina. See the articles by E. Louise Peffer in Food Research Institute Studies, Vol I, No 2, and Vol II, No 1.

¹⁹ For the Fiji Islands see the Australian (formerly Colonial) Sugar Refining Company, South Pacific Enterprise, Angus and Robertson, Sydney and London, 1956.

economic and political systems. But the subject is much neglected. Land-grant colleges should consider giving considerable attention to such analysis, perhaps most of all at the teaching level, for both undergraduates and graduates. More specifically, the emphasis should be on agrarian problems and their relation to population pressure and economic growth. It should be intended to correct, where necessary, the natural tendency for anyone to interpret events elsewhere by criteria resting consciously or subconsciously on the somewhat unique experience of his own country in economic growth.

There is an abundant literature in English which could be used, covering such topics as the following: the land problem in nineteenth century Ireland; the population pressure in the Balkans in the last hundred years, leading to the unsuccessful Green Revolution of the 1920's and in part to the rise of Eastern European Communism; the pre-British system of land tenure and taxation in India and the changes made during the period of British rule, both being considered in relation to policies pursued since liberation; rural unrest in Britain in the early nineteenth century and its connection to general industrial development; land tenure systems in Africa and the impact of tribal societies and customs; the development and evolution of plantation systems of agriculture; the technically progressive but, for the rural people, materially repressive agricultural development policies of late nineteenth century and early twentieth century Japan, and consideration in the light of the earlier history of the land reform in Japan carried out later World War II.²⁰

A synthesis of the main lessons from such histories and experiences as these would help greatly towards a wider understanding of the different paths to economic growth. Above all, it would show how financial aid from the rich countries can enable democracies to be nurtured while material progress is being achieved. On the other hand it would show how, without such aid, liberally-minded leaders are faced to act in ways harmful to the development of democratic institutions in order to maintain economically viable societies which, only if they are so viable, will have any prospect of keeping people content to accept as an ultimate goal democratic ideals and objectives.

²⁰ There is unquestionably much valuable literature on similar subjects in other languages especially in French and Dutch whose essentials could be made quickly available in English at little cost.

CAPITAL AND TRADE AIDS TO UNDERDEVELOPED COUNTRIES AND
AGRICULTURAL POLICIES IN THE RICH COUNTRIES

Trade, not aid, was the demand of many underdeveloped countries a few years ago. They need both. As suggested already, the rich countries of the West must be prepared to give, or to lend cheaply on a long-term basis, much more capital than they have so far. At the same time they should assign a high priority to modifying their international trade policies in respect to agriculture (and other industries) in order to enable underdeveloped countries to secure more of their needed finances by exports.

Even if a satisfactory termination of the arms race can be achieved, there will still remain one great source of political tension throughout the world, namely the pressing need for economic development in the face, generally, of intense population pressure. However, to reinforce the point, it is hard to see what incentive the Communist Powers would have to accept complete disarmament if there remain regions of great economic distress and political tension where military intervention might prove profitable.²¹

Therefore, whether judged in terms of charity or of enlightened self-interest, the record of the West in giving assistance to underdeveloped countries is not good. Against this dominant yardstick all of its major economic policies are to be judged. Thus the agricultural policies of the rich countries of the West, particularly of the United States and Western Europe, must be found seriously wanting.

²¹ As in Laos.

FOOD FOR PEACE

A projection showing the future demand, supply and surplus food outlook in the Western Community up to the year 1975 is given in Appendix 2. This projection, based on the assumption that farm policies will remain unchanged from what they were in the late 1950s, shows that the West faces problems of large and accumulating agricultural surpluses for at least another 10 years.

In the United States the main problem will continue to be the principal price-supported crops--grains, cotton and tobacco. In Western Europe grain surpluses may be minimized by reducing imports. The problem of excess production will be relatively more serious for milk and certain milk products, pork, poultry and eggs.

The foregoing prognostications are intended simply to give a focus. Clearly, the underlying assumption that farm policies will remain unchanged from what they were in the late 1950s is unrealistic and has only analytical validity. The next step is to explore the alternative changes in policy which might be undertaken to deal with the surplus problem, taking into account the important political constraints on the freedom of action of the governments of the United States and Western Europe.

The Politics of Surplus Agricultural Capacity

Although many economists often write as if political constraints did not exist, such constraints must be considered in deciding what farm policies should be recommended to legislators and administrators. To begin with, let us consider the politics in the United States and Western Europe involved in providing capital aid to underdeveloped countries.

Undoubtedly, the ideal policy would be one providing greatly increased grants or loans of dollars, pounds, francs and marks for the underdeveloped countries to spend on whatever capital goods they most wanted, assuming they spent wisely. To such an end, the obvious or apparently obvious economic policy would be one of securing the quickest reallocation of all factors of production within the Western Community, both nationally and internationally, so that the gross national products of the rich countries concerned could be increased as much as possible and the opportunity to increase aid to underdeveloped countries would be maximized.

But if such economic policies could be pursued, would they in themselves lead to any significant increase in aid to underdeveloped countries or to any increase at all? Anyone who has studied the European or American political scene must surely answer "No." The peoples of these countries are so preoccupied with raising their own standards of living that enlightened politicians and statesmen cannot by any means do all that they recognize as necessary for the underdeveloped countries. None of this is to deny that a

large increase in foreign aid for economic, as distinct from military, development may be forthcoming in the years immediately ahead. However, the stimulus will be the political struggle with Communism and not the increases in gross national products attained in the Western community.²²

Yet electorates are not always consistent. While they might be unprepared to support increased aid provided in the most economic form and, therefore, at the lowest overall sacrifice to themselves, they may take a totally different view when aid is provided in the form of food surpluses. The economist does, and should, usually regard food surpluses as being mainly a form of capital which under certain circumstances may permit more rapid accumulation of investment goods in underdeveloped countries. But the public sees food surpluses in terms of a fight against hunger and malnutrition - as consumption rather than investment goods. As such, the proposal to send food surpluses to underdeveloped countries may capture public imagination much more successfully than policies economically more rational.

So "Food for Peace" campaigns are likely to obtain a volume of support which other and economically sounder programs of aid would fail to obtain. To repeat, the case would be stated in terms of reducing hunger and malnutrition rather than in aiding development. Although these are not necessarily the same, this would not matter. Because of the particular reason why Western electorates may be prepared to pay the cost of sending food surpluses to underdeveloped countries it is unlikely that constraints would be imposed on the ways in which the surpluses are used.

There seems no doubt that "Food for Peace" can have an extremely wide and strong appeal. For example, take the summary of the current situation as given in The World Food Deficit: a First Approximation:²³

"Another way to express the deficit in countries short of food is in terms of United States agricultural production. In this highly simplified frame of reference, the estimated world food shortage for 1962 may be said to be roughly equivalent to 35 percent of U.S. annual milk production... plus 40 percent of U.S. annual dry bean and pea production ... plus 120 percent of U.S. annual wheat production. This is not to imply that increased U.S. production can, or should, be the means of filling the world food gap. Other countries must help, too, and this process will evolve over many years. This comparison with U.S. production is intended only to be a convenient yardstick helpful in visualizing the size of the deficit."

²² To coin a technical term, the marginal propensity to aid foreign countries is probably extremely near zero. The Cold War may, however, shift the schedule to the right.

²³ United States Department of Agriculture, Foreign Agricultural Service, March 1961.

Such a statement, even though economists may question the validity of the specific statistics, can have a direct and widely understandable impact.

Indeed, there is already a wide range of support for economic aid by means of food surpluses. The principal churches of the Western world have spoken in favor, including the World Council of Churches and recently the Roman Catholic Church in a Papal Encyclical, Mater et Magistra. If the writer's experience in 1960 and 1961 is typical, urban groups in the United States with an interest in humanitarian reforms who invite speakers on underdeveloped countries or agricultural policies are keenly interested in using existing food surpluses to help the poorer nations.

Then, many of the agricultural interest groups actively support programs of sending food to aid development, including the International Federation of Agricultural Producers, which has as members all of the important farm groups in Western Europe, and the National Farmers' Union in the United States. In the United States certain commodity interests, such as the soybean producers, might oppose policies to produce and use surpluses in development because they would fear that their own commercial outlets might in some way or other be upset. The national officials and representatives of the Farm Bureau would, it appears, take the same attitude.²⁴ Yet it is doubtful whether members of the Farm Bureau would generally be opposed to the use of surpluses for aiding underdeveloped countries. The National Farmers' Union is openly in support; the National Council of Farmers' Cooperatives has recently supported an extension of the program.²⁵

Even in the United Kingdom, where farmers have relatively little political bargaining power and where, compared with other western nations, the government has greater scope for pursuing policies according to the orthodoxies of liberal economics, an important official document indicating the lines along which British agricultural policy may develop in the next few years contains explicit reference to the government's willingness to consider "actively to support the proposals recently approved unanimously by the United Nations for organizing the distribution of surplus food on a multilateral basis through existing international organizations and as a part of a wider program for aiding the less developed countries."²⁶

²⁴ The 41st annual meeting of the American Farm Bureau Federation in December 1959, as reflected in its resolution and especially in the report of its Secretary, Mr. Roger Fleming, strongly opposed any attempt to widen the scope of Public Law 480 (see the Bureau's Nation's Agriculture, January 1960)

²⁵ Washington Situation, Vol. XXII, No 21, May 26, 1961, p. 4 (National Council of Farmers' Cooperatives, 1616 H Street N.W., Washington 6, D.C.)

²⁶ Agriculture, Report on Talks between the Agricultural Departments and the Farmers' Unions, June-December 1960. Cmnd. 1249, Her Majesty's Stationery Office, London. p. 8

The interest, actual or potential, in "Food for Peace" is a great asset in assisting the development of the poorer countries. Without it, agricultural policies in the Western Community will be worked out simply as the interplay of urban and rural interest groups usually taking short-sighted views of the situation. In consequence, without the political head of steam of a humanitarian and widely-comprehensible appeal, we shall get agricultural policies in the United States and in Western Europe which, from the point of view of the economic growth of those countries, will be no better or hardly better than policies envisaging the production and distribution of food surpluses and which, from the point of view of aiding underdeveloped countries, will be much less satisfactory than "Food for Peace."

This view can be sustained by showing what agricultural policies are likely to be without an appeal to altruism, especially by demonstrating that the allocation of resources between agriculture and other industries in the Western Community, given the existing political constraints and effective choice of programs, will not be affected appreciably for the worse, if at all, by "Food for Peace" programs. We can begin by considering the United States.

The basic problem in American agriculture is to remove from the industry a large quantity of surplus labor and to enlarge farms. The already high rate of migration is insufficient. A proposal frequently made in one form or another is to put the Homestead Act into reverse and to provide farmers with a financial incentive to leave agriculture. But, for a variety of reasons, such as the objection of urban electorates to the apparent pensioning off of farmers and the great emotional appeal of policies claiming to protect the family farm, such proposals cannot be explicitly advocated by politicians who have or who seek responsibility.

Yet a rose by any other name will smell as sweet, and pensioning off redundant farmers is possible under schemes set up in the name of conservation. Here there are, broadly speaking, two alternatives; either a farmer can be paid a "rent" for not using, for conserving the whole of the land on his farm, or he can be paid a "rent" for not using part of that land. From the point of view of securing a better allocation of resources within the national economy, the second approach, used to a considerable extent in building up the Conservation Reserve in recent years, hardly commends itself. The partial idling of individual farms is not likely to increase appreciably the release of labor or capital from agriculture. It makes an inappreciable contribution towards a more efficient allocation of resources. It is but another illustration of the overwhelming characteristic of United States agricultural policy at the present time - the tendency to create surplus capacity in such a way as to leave large amounts of underemployed labor and scarce capital scattered throughout the industry.

In contrast, the idling of whole farms is much better from the point of view of resource allocation. A farmer who is paid to idle the whole of his farm is in a better position to obtain work elsewhere. Thus the need to maintain partially unemployed capital equipment on his farm is greatly reduced. Precisely because it is more successful in reallocating resources, the complete idling of farms under the Conservation Reserve Program has provoked much opposition. Farmers have left their farms in some areas to such an extent that the economic base of the local community is threatened. There is a clash with the still widely-held objective of maintaining a large number of family farms, even though this may be more nostalgic than realistic. Perhaps more important, many trade interests are adversely affected. Whatever may be the reasons, the economically more efficient form of the Conservation Reserve Program does not now get much political support. In general, the Conservation Reserve approach appears to warrant little consideration as a means of solving the American farm problem. Other measures will be much more important.²⁷

Five years ago, before a Congressional Committee, Professor Boulding described American farm policy as a charity racket because, in his opinion, a large amount of financial aid was given to the great majority of American farmers who did not need it and very little to those low income groups which did need it. This criticism has been repeated, usually less bluntly, by other writers.²⁸ Inevitably, schemes which directly support the prices of farm products rather than providing income grants to the poor farmers will give windfall earnings to many producers who already earn large incomes in comparison with, for example, skilled factory workers in the towns.

However, at least for the time being, it seems a fact of American agricultural politics that programs directly intended to aid the low income groups are unlikely to replace those which are advocated by the National Farmers' Union and, no doubt, are supported by many members of the Farm Bureau. For example, the National Farmers' Union does not in its policy statements pay much attention to the particular problems of the lowest paid fifth of American farmers. Moreover, the opposition of the Farm Bureau is, according to Lauren Soth,²⁹ one of the reasons why the Farmers' Home Administration has not received adequate funds to carry out its job of bringing aid to the low income farmers who need it most.

Next, we must recognize another ambivalence on the part of urban electors, namely their preference for concealed subsidies to agriculture instead of open ones, even though the latter might be cheaper. Subsidies

²⁷ Although outside the economic considerations of this paper, the United States Government may also need to consider the political effects in land hungry underdeveloped countries of those programs which put American agricultural productive capacity out of use.

²⁸ For example, by Lauren Soth in Farm Troubles, Princetown University Press, 1957.

²⁹ Op.cit. p. 90

paid directly to farmers appear clearly in the financial statements of the United States. On the other hand, it is much harder to see the subsidies which are concealed in the higher prices which come about when farm supply is restricted. Thus, with the exception of wool, United States agricultural policy has not relied upon the deficiency payment system which has been the core of the British system of supporting agriculture even though this system has manifest advantages in expanding consumption, especially among low income urban groups.³⁰

In all, it is not surprising that United States agricultural policy should develop along the lines of the 1961 Emergency Corn Program and the programs envisaged in the emaciated version of Secretary Freeman's Omnibus Bill passed in July 1961, namely towards concealed subsidies through supply control. To these measures we should now turn, recognizing that they represent the policies which an appeal to international humanitarianism could improve very much.

There are many precedents in United States agricultural policy, especially in cotton and in tobacco and more generally in the agriculture of California, for restricting supply by administrative production control. Yet, the most interesting starting point, partly because of the light it throws on the mistakes which can be made when political constraints to economic policy are ignored or inadequately discussed, is the work of the intellectual architect of the current farm programs, Dr. Willard Cochrane. As head of the Bureau of Agricultural Economics he is the principal economic advisor on agricultural matters to Secretary Orville Freeman and to President Kennedy.

In his book, Farm Prices: Myth or Reality, and in his subsequent presidential address to the American Farm Economics Association,³¹ Dr. Cochrane argued the case for nation-wide powers to restrict production of agricultural commodities as necessary. The key to his proposals was that each farmer should have production rights, issued originally on a historical basis, which he would be free to dispose of as he thought fit. "Each marketing certificate would be negotiable. Each farmer would be free to buy or sell marketing certificates as he saw fit. By this device freedom of entry and exit would be maintained within a controlled agriculture; and the individual farm operator would be free to expand production, or contract it, in light of local conditions, as total output was adjusted to demand at a defined fair price. The value of operating in a stabilized agriculture where product prices and returns were relatively certain and relatively good, and where long-range production plans could be formulated with reasonable assurance of materializing would be capitalized of course into those marketing certificates. The price of these certificates would become a cost of doing business in a stabilized agriculture."³²

³⁰ British electors would probably be just as ambivalent were it not that about half of the United Kingdom's food is imported and so is not subsidized by the British Treasury.

³¹ Journal of Farm Economics, December 1959.

³² Farm Prices: Myth and Reality, University of Minnesota Press, 1958, p. 173

As a device for creating windfall incomes for farmers who originally would receive the production rights, Dr. Cochrane's proposals need not be considered here. But, as an aid towards more efficient allocation of resources, they merit attention and have much to commend them. If they had been or could be implemented as he envisaged, they would permit the required freedom for geographical changes in production within the United States needed for continuing economic efficiency. Even more important, the scheme would not handicap other plans to speed up the exodus of surplus labor and the capital associated with it. Indeed, the saleable production quotas might aid the movement of surplus factors of production out of agriculture; the right to produce would become a capital asset. Especially if it were in no way tied to production on a particular piece of land,³³ it would give low income farmers a much stronger incentive to move from the industry. Farmers could make much larger capital gains (than would be possible without quotas) by selling to more efficient farmers. These farmers could either use the land more profitably, perhaps in conjunction with that already possessed, or could transfer the right to produce to land which was more fertile or in a more economic location. As Professor G. E. Brandow has said, "Quotas would be worth more to efficient producers than to inefficient ones and a strong pull would be exerted to shift production accordingly ... and perhaps labor might leave farming faster this way than in the usual situation where a man who ceases to farm can liquidate his investment only by selling to another man who will farm the same land."³⁴

Unfortunately to be acceptable in the United States any industry-wide scheme for limiting agricultural production would almost certainly not allow any quotas to be fully negotiable. The history of supply control in the United States gives virtually unequivocal support for the view that at the present time any new production quotas imposed would be made unalienable from the land to which they were originally attached.³⁵

Some commentators on Dr. Cochrane's proposals saw these difficulties clearly enough, for example Professor Brandow in his paper mentioned above and some of the discussants of it. Professor Brandow questioned whether fully marketable quotas would be acceptable in view of the strong traditions, the almost nostalgic traditions, for maintaining the family farm as the basis of United States agriculture. "The income goal in agriculture is often linked with a strong desire to maintain numbers of farms and farmers and to halt the trend toward the commercial agriculture ... Improved income is

³³ And this is how Dr. Cochrane envisaged production quotas in his writings.

³⁴ Journal of Farm Economics, December 1960, p. 1172

³⁵ Lest this should be thought wisdom after the enacting of the Onmibus Bill, the writer was arguing this point in seminars at Berkeley in the early spring of 1961 and in a radio discussion with Professor David Allee, recorded for K.P.F.A. in May 1961. In this he was following a few earlier critics of Dr. Cochrane's proposals.

regarded as a means of preserving the status in farming and some of the support for supply control has come from persons who expected it to do this."³⁶ In the same vein, a Farm Bureau representative commented, "Supply control is being advocated as a means of preserving the family farm by groups that apparently hope to prevent further declines in the number of farms. Supply control bills introduced in the 86th Congress, as the Family Farm Income Act in 1960, were not neutral on farm size," several variations being proposed which directly or indirectly were relatively favorable to the small farm.³⁷ Then, sure enough, the representative of the Farmers' Union, which in its own words "is dedicated to the preservation and improvement of the owner-operated family farm," stated his organization's opposition to marketable quotas. "Democratically elected farmer committees probably should be given greater authority ... to set up flexible safeguards against the permanent alienation of sales quotas or acreage allotments by farmers who may not be fully aware of their value... Experience with the Conservation Reserve indicates that primary emphasis on the whole-farm approach does not lend the program any great public popularity in the areas (denoted) as the extensive margin ... There is also a deep feeling in rural America that each farmer should take his fair share of the adjustment required to bring supply into balance with demand. Temporary retirement of whole farms is neither needed nor justified. Moreover, it has proved to be unnecessarily destructive of the family farm pattern of agricultural settlement and of rural neighborhoods, communities and trade centers."³⁸

In addition to these objections to fully marketable quotas, there are more contingent material ones. Again, to quote the representative of the Farm Bureau, "Vested interests in keeping crop production where it is would stimulate powerful Congressional opposition to the transfer of production rights across state lines"³⁹ These vested interests would include merchants and other commercial concerns in the areas from which production would most likely be moved by the sale of production quotas.

An appraisal of all the political constraints, value judgements and historical experience bearing upon the formation of United States agricultural policy at the present time leads to the conclusion that any extensive scheme of supply control would have one dominant feature. Broadly speaking, quotas would remain attached to the land on which they were originally granted and the original allocations would be historically determined by sharing out any initial production reductions proportionately among producers, with perhaps some bias in favor of the small-scale producers. Thus it seems politically inevitable that any scheme which

³⁶ Journal of Farm Economics, December 1960, p. 1177

³⁷ Op. cit., p. 1186

³⁸ Op. cit., pp. 1180-1

³⁹ Op. cit., p. 1187

proposes to match demand and supply by restricting supply will result in a wider scatter of excess capacity throughout United States agriculture. With large amounts of labor and capital equipment idled, there would be little reduction in the total costs of producing supplies. In the case of grain crops, for example, there would be a saving in seed, more or less proportional to the decrease in planted acreage and a less than proportionate reduction in the use of fertilizers. There would also be some slight saving in user costs of capital equipment. But labor costs and most other capital costs would have to be carried by the smaller output.

Therefore, given the principal features of United States agricultural policy resulting from the political constraints, namely the limited opportunities for using the more allocatively efficient version of the Conservation Reserve Program and the inevitable creation of excess capacity under supply control, the opportunity cost of producing surpluses is much lower than their cost at current support prices to the Commodity Credit Corporation, perhaps only a small fraction of this cost. Given the policies likely to be acceptable, the cost of producing surpluses is very little more than the cost of avoiding them in terms of the total resources used and denied to other sectors of the economy. This conclusion is fundamental and is radically different from one based on an economic analysis implicitly assuming complete freedom of political action. This is why so many of the criticisms by economists of the surplus disposal program financed under Public Law 480 are wide of the mark.⁴⁰

Broadly speaking, the political constraints are much the same in Western Europe as they are in the United States. On the continent of Europe the agricultural interest groups are strong and in part of France, at least, fairly militant - as was seen in the summer of 1961. The political tradition of maintaining a peasantry, the continental European equivalent to the United States ideal of the family farm, is still important. The agrarian interests are more closely identified perhaps with the so-called conservative elements in continental European politics than in the United States. Their support is an important element in the majorities of Dr. Adenauer in Germany and of the Christian Democrats in Italy. Finally, agricultural policy must often be linked to problems of depressed regions as, for example, Brittany and southwest France and southern Italy. In southwest France, the existing low levels of agricultural income are already an important source of political support for right-wing parties which, if they became more powerful than they now are, would undoubtedly undermine the authority of the present government. The poverty of southern Italy, on the other hand, provides much of the support for the Italian Communist Party.

⁴⁰ For example those of Professor T. W. Schultz in the Journal of Farm Economics, December 1960.

The United Kingdom at present presents a remarkably different picture, partly owing to the relatively weak bargaining power of the farm bloc. In addition, there is a long-established tradition of using deficiency payment systems for providing support to farm incomes. These have the effect of carrying supplies more easily into consumption and of avoiding surpluses. In recent years there has been a marked tendency to move toward direct or indirect income support for low income farm groups in place of "blanket" price support which aids rich and poor farmers alike. However, if and when the United Kingdom joins the European Economic Community, its agricultural policies will have to be modified to become more akin to those followed on the continent.

Western Europe can use one other means of dealing with its agricultural surplus problem to an extent not possible for the United States. It can increasingly protect its agriculture from foreign competition and reduce imports of agricultural products so that demand and supply for home-produced supplies can be made more nearly to balance. Western Europe can export its surplus agricultural capacity to other parts of the Western Community and outside it. Such a policy is explicitly envisaged by the European Economic Community.

In addition, even orthodox free market economic adjustments in European countries may lead to the same effect if the result is to throw adjustments upon other governments which cannot react within the same political-economic framework. Thus, if Western Europe attempted to reduce supplies of domestically produced livestock products by a straight price reduction, the effect would be to reduce the need for the imported animal feeds and so to build up surpluses within the United States. A similar illustration would have been provided by the recently announced policy of the British Government to limit milk production, if farmers had agreed.⁴¹ It proposed to introduce a two-tier system of prices to producers. A high price would have been paid on an initial quota, allocated presumably according to the individual farmer's past production. All additional supplies would have been bought at a much lower price. The aim and effect would have been to reduce imports of feed. One country's economizing is another country's surplus!

There is perhaps one important difference between the political factors bearing on United States agricultural policy and those relevant for Western Europe. Given the geophysical conditions of the two continents, it may be easier for Western Europe, within the constraint of maintaining farm incomes both nationally and regionally, to change the product mix of its agriculture towards livestock products, including milk. In other words, Western Europe may, if it wishes and especially if it is assisted by the United States, be able to move more easily to policies which will produce surpluses in the forms which are most valuable to underdeveloped countries.

⁴¹ See Appendix 2, footnote 20

Trade Policies

The political appraisal should not end here. There is one other major consideration. Generally speaking, agricultural protection and related policies within the rich countries of the West have probably not raised their national incomes at the expense of those of underdeveloped countries in the long run. For example, United States cotton policy, while it led to considerable short-term instability in prices in 1956, has provided an umbrella for cotton production in many underdeveloped countries. Again, price discrimination in international markets, an integral part of United States support policy for wheat, has probably served to maintain the gross receipts of other major wheat producers. If anything, it is the main importing countries, such as United Kingdom, who have "paid" for the United States subsidized sales of wheat to low income countries and not Australia, Canada and Argentina. In general, United States price supports have probably served to maintain the terms of trade of many primary producers at higher levels than would have been reached in a free market.

There are, however, important exceptions which often bear heavily upon the economies of a few poor countries. The outstanding example is sugar. The sustained and often increasing production of sugar beet in Western Europe and the United States in the last half century has depressed the incomes of many tropical sugar cane producers who have few or no alternative employment opportunities. It is doubtful whether the bilateral purchase agreements, such as that between the United Kingdom and the West Indies, or, until recently, that between the United States and Cuba have provided a complete compensation. Other examples in the future might be American discrimination against the export of fruits and vegetables from Mexico into the United States or, perhaps, similar European discrimination against North African horticultural exports into the European Economic Community.⁴² Such specific elements of agricultural protection as these are today the most difficult to justify in terms of the economic needs of underdeveloped countries. In the present context, protection of other agricultural products grown in the rich countries is less important.

Any agricultural policy which gives a greater measure of economic security to the most prominent and influential interest groups within the agricultures of the Western Community, and these generally are those which produce the most needed agricultural surpluses, may make it possible to break up some of the log-rolling alliances which are common in the agricultural politics of the West. In this way we may rid ourselves of the elements of agricultural protection which most directly harm primary producers in a few vulnerable underdeveloped countries.

⁴² The heavy import duties on coffee in certain European countries, such as Italy and Finland, may have had a similar if less severe effect in so far as, given an inelastic supply, the primary producer has "paid" part of the tax. These import duties are imposed for revenue purposes and not to protect an indigenous industry, which obviously does not exist, and fall outside the scope of the present discussion.

Conclusions

The West needs agricultural policies immediately which will assist as much as possible the economic development of the poor countries of the world. To be developed quickly and not simply many years hence, such policies must be based upon a realistic appraisal of the political constraints bearing on farm affairs in the United States and Western Europe. The main points to note are:

1. Schemes to restrict supply or to extend the scope of "Food for Peace" are the only politically practical alternatives.
2. In terms of resources denied to other industries a policy designed to use agricultural surplus capacity to produce "Food for Peace" will cost little more than policies to maintain or raise farm incomes by restricting supply.
3. A large political head of steam can be built up to support enlarged "Food for Peace" programs so that it would be difficult for future framers of agricultural policies to ignore this claim on resources.
4. In order most effectively to assist undeveloped countries by extending "Food for Peace," it will be necessary to change the product mix of the likely food surpluses towards more animal proteins, especially dried milk. This will be easier to achieve in Western Europe than in the United States.
5. A combined operation among the countries of the Western Community is desirable, partly because Western European countries otherwise will tend to export their agricultural surplus capacity to the United States (and to other countries).
6. In association with giving farmers assured and satisfactory markets for most farm products by means of "Food for Peace," it may be possible for the West to abandon or reduce protection on a few commodities, especially on (beet) sugar, which provide major actual or potential sources of income for a few under-developed countries.

A POLITICO-ECONOMIC APPRAISAL OF EXISTING AND POSSIBLE "FOOD FOR PEACE" PROGRAMS

In the light of the foregoing politico-economic considerations, a totally different appraisal should be made of the value of agricultural surpluses in aiding economic progress in underdeveloped countries. This appraisal would show not only that producing and using food surpluses for development is economically more valuable than is generally thought, but that, as a corollary, many topics need to be systematically investigated in order that "Food for Peace" programs are as scientifically worked out and appraised as are programs for restricting supply. Likewise the appraisal would redress the present research emphasis on restriction schemes at the expense of almost completely ignoring surplus disposal programs.⁴³

We can begin by considering the criticisms raised against programs carried out under Public Law 480 in the United States.⁴⁴

Professor T. W. Schultz has best stated the principal position of the critics.⁴⁵ He points out that up to the end of 1959 the dollar gain from selling agricultural surplus products was 10 to 15 percent of the Commodity Credit Corporation costs of acquiring and storing these surpluses. Against this, he suggests that the real value of the food, principally wheat, to underdeveloped countries was only some 37 percent of the Commodity Credit Corporation costs. This last figure he derives as follows. The export market value of wheat has been only 75 percent of Commodity Credit Corporation costs. Since underdeveloped countries would prefer other forms of capital or, better still, money which could be spent on any form of capital, Dr. Schultz guesses that surplus wheat is worth only one half of its market value to its recipients.

A Defense of "Food For Peace"

The objections to this analysis are many, especially if it is used to cast doubt on future better-planned and larger-scale programs. Commodity Credit Corporation costs of storage would clearly be proportionally much less in future schemes whereby surpluses were moved more rapidly into consumption in underdeveloped countries than in the past. But, even if we

⁴³ Only a few economists have given much attention in their work to the use of food surpluses, notably Dr. Lawrence Witt.

⁴⁴ The controversial barter transactions which were originally important in disposing of some of the United States surpluses may be ignored because they have been discontinued.

⁴⁵ Journal of Farm Economics, December 1960, especially p. 1026

accept his numerical propositions, the analysis of the previous section suggests that his comments are misleading. In the relevant political context, the opportunity costs of surpluses are probably more than 10 to 15 percent of Commodity Credit Corporation acquisitions costs and so, even by Schultz' yardsticks, are probably worth having.

Much more important, his assumption that food has such a low priority in the development programs of underdeveloped countries is extremely dubious. For example, the income elasticity of demand for grains in India has been shown by experience to be much higher than was thought a few years ago. This becomes more apparent when account is taken of the extent to which Indian cultivators used the opportunity of rising incomes to retain their own production for self-consumption.⁴⁶

Without the surpluses provided under Public Law 480 India would undoubtedly have been obliged to spend much more foreign reserve on importing wheat in recent years. Dr. Schultz has been unjustifiably pessimistic concerning the economic value of benefits derived by underdeveloped countries from Public Law 480.

A frequent criticism of "Food for Peace" programs is that surpluses sent to underdeveloped countries will handicap the development of indigenous agriculture. It is contended that surpluses depress prices received by local farmers, that farmers' incentives to produce are reduced. Such an assertion, even if true in respect to its effects on local prices, depends for its validity upon the shape of the short-run and long-run supply curves. Also upon factors causing these curves to shift to the right which do not necessarily or generally correspond to the situation in underdeveloped countries. First, as noted earlier, in many underdeveloped economies today where marketed supplies are but a small portion of total indigenous

⁴⁶ "The marginal elasticity of demand for grain with respect to income now appears to be much higher in India than the 0.3 to 0.4 determined from information than (1954) available. During recent years, as Indian wheat production has risen, market arrivals at the city have not increased proportionately. Apparently with their cash income aided by land reform, better credit facilities, and somewhat better farm income, small and traditionally hungry Indian farmers have preferred to eat a good part of their additional production rather than to sell it. For subsistence farmers this marginal income elasticity has apparently been nearer 1.0. Indian economists now estimate the nation-wide elasticities as 0.6 for rural areas, and 0.4 for urban ones." Mordecai Ezekiel, Journal of Farm Economics, December 1960, p. 1070

agricultural production the short-run agricultural supply curve (even if not the production schedule) may be backward sloping.⁴⁷

Second, even if the long-run supply and production curves are not backward sloping they are almost certainly not highly elastic. In many underdeveloped countries the shifts of the long-run curve are more significant for planning purposes than the shape of the curve. These shifts are generally attained in the earlier stages of growth, when emphasis is on crops rather than on livestock, when there are few if any direct price incentives to farmers. The agricultural history of Japan up to the beginning of this century, for example, shows that a fairly severe regime of depressing farmers' incomes in conjunction with an active program to achieve technical progress in agricultural and to disseminate its results widely is compatible with rapid economic progress in the agrarian sector.

Without necessarily advocating such measures for the agricultures of underdeveloped countries today, it seems clear that frequently a similar balance of production stimuli is appropriate. The writer agrees strongly with Dr. R. O. Olson. "It would be profitable for most farmers (in underdeveloped countries) to increase their use of irrigation water, improved seeds, fertilizers and insecticides even with much lower farm prices. The failure to increase yield is not due to lack of price incentive but to lack of knowledge, nonavailability of fertilizers, lack of credit, etc. Advances of this form depend less upon price incentives than upon government action in providing more irrigation and drainage facilities, an aggressive extension program, an efficient agricultural supply system and an effective credit system. To me, there seems no reason to believe the Public Law 480 imports should slacken governments efforts along these lines unless they viewed our surplus program as a permanent phenomenon."⁴⁸

In any case, the critics of Public Law 480 do not advance evidence to support the view that surpluses have depressed prices for cultivators in most underdeveloped countries. By contrast, Dr. Sen notes that in India "There has not been any occasion since Public Law 480 supplies started in 1956 for prices to fall to such a low level as to discourage domestic production."⁴⁹

Finally, it is hard to sustain the view that the availability of surpluses has caused or will cause underdeveloped countries to neglect their agricultural development programs. Pakistan has given priority to agriculture in its economic planning so far.

⁴⁷ R. O. Olson, Journal of Farm Economics, December 1960, p. 1042 and Lawrence Witt, A report of the Seminar on Demand for Farm Products, Center for Agricultural and Economic Adjustment, Ames, Iowa, 1959, p. 57, as well as the quotation from Mordecai Ezekiel already cited.

⁴⁸ R. O. Olson, op. cit., p.1044

⁴⁹ Dr. S. R. Sen of the Indian Planning Commission, Journal of Farm Economics, December 1960, p. 1034

The reasons for the neglect of agriculture in particular cases must be sought elsewhere. In the writer's view, India paid insufficient attention to agriculture in both the first and second Five-Year Plans, especially in the second. But this was due to the prestige associated with manufacturing industries and to the widely-held view that unbalanced economic growth with heavy emphasis on industries such as coal and steel was in the economic interest of India. Surpluses were not important at the time when the first plan was drawn up, and it is almost impossible to believe that their possible availability had such an impact on the general climate of opinion under which the second plan was formulated for the years 1956-61 as to encourage neglect of indigenous agriculture. The contrary was true, as will be seen below. In any case, experience has modified earlier views, and Indian agriculture will receive proportionately much more attention under the third plan than it did under the second.

In the past much of the opposition in underdeveloped countries against accepting food surpluses sprang from the year-to-year arranging of the disposal programs and the resulting uncertainty concerning the regularity of supplies. These fears were well founded. In 1959 a drought in Western Europe and a rise in the commercial demand for dried milk prompted the United States to suspend donations for export, with a resultant sharp reduction in school-feeding and other nutritional schemes in underdeveloped countries.⁵⁰

Clearly, "Food and Peace" programs must not be based on such expediences. This judgment is now recognized, as illustrated by the emphasis being placed on the new Title IV provisions of Public Law 480 under which cheap, long-term loans are being provided for underdeveloped countries to purchase food supplies. The recent four-year agreement between the United States and India, covering large quantities of wheat and rice, provides the first important pointer to the new thinking. Indeed, the provisions of this agreement were taken into account when the Indian planners were drawing up the third Five-Year Plan.

Various other illustrations can be provided in support of the view that agricultural imports have a higher priority in the development programs of underdeveloped countries than the critics of Public Law 480 suggest. Professor Witt has referred to the case in which cotton supplies sent to the Philippines in recent years averted a shortage of raw material which otherwise would have led to a licensing scheme, most likely favoring a few mills and leading to a decline in competition within the Philippine textile industry.⁵¹

⁵⁰ M. Ezekiel, Journal of Farm Economics, p. 1069

⁵¹ A Report of the Seminar on Demand for Farm Economics, Center for Agricultural and Economic Adjustment, Ames, Iowa, 1959, p. 56

Food surpluses can be and are being used to build a world food reserve. Many benefits will spring from this reserve. In general, underdeveloped countries have less control over the effect of weather on agricultural production than developed countries have. Thus they are faced with the problem of much more seasonal and year-to-year variations in total food supplies. In consequence, they must often attach high priority to policies which will minimize the danger of local, regional or national food shortages even though in other respects such policies may be extremely uneconomic. Thus, for example, it has been common in many parts of East Africa for regional and local governments to work for and maintain a high degree of self-sufficiency in food production instead of promoting the cultivation of normally more profitable cash crops. They do this lest other regions, from which locally required food supplies would normally be obtained, prohibit or severely restrict export sales of food crops in the event of a poor harvest. Thus many advantages of regional specialization are lost. Again, the need to secure greater control over the effects of the weather is one reason advanced to support the case for irrigation schemes which, like some of the multi-purpose river valley projects in India, are often extremely uneconomic except perhaps if judged in terms of the overriding need for security. A food reserve is a cheaper way of achieving that end.

The general food supply situation in India underscores the point. Sometimes the supply fails in one district and sometimes in another. The difference between an adequate local food supply and local famine is often extremely small and depends upon the ability to move marginal supplies quickly to where they are most needed. But transport and storage shortages make such balancing movements extremely difficult. This is especially so as private merchants hold supplies for higher prices when a shortage threatens, thus precipitating a destabilizing speculation. The famous Bengal famine of 1943 was greatly exacerbated by the shortage of transport and by resultant speculation of merchants.

So far in India governmental regulations have probably made the problems worse. Price and zonal restrictions have been imposed but without sufficient administrative backing or food reserves to be implemented effectively. Similarly, the government's own direct entry into the grain trade does not appear to have reduced prices. But, there will soon be sufficient storage capacity to establish a decentralized food reserve in India and much of the supplies under the recent Title IV agreement are intended for that reserve. The reserve will enable India to reduce many of the economic wastes associated with an erratic climate, although probably, another half million tons of rice are needed to make the reserve fully secure.

Extensive government trading or cumbersome regulations to control the undesirable speculative aspects of the private wholesale grain trade will be much less necessary than before. Releases from the reserve can be used for a counter-speculative purpose, while the private trade can be left to perform the functions it fulfills economically.

Coordination Between United States and Europe

We may summarize the position which has emerged in the last few pages as follows. There is not yet sufficient information to provide a reasonably precise estimate of the value of food surpluses for underdeveloped countries and, so, provide the "shadow prices" which should be attributed to them in evaluating their worth in relation to resources used by the West in producing them. But, the available evidence suggests that a considerable extension of "Food for Peace" programs is economically justified. The critics have greatly underestimated the value of food surpluses and greatly overassessed the opportunity costs of securing them.

Given these conclusions and the virtually certain emergence of substantial agricultural surpluses in West Europe within a few years, one main issue remains to be considered - the co-ordination of "Food for Peace" programs between the United States and Western Europe. The treatment of this most important issue will only touch on a few of the most significant points. A fuller analysis would include such matters as bringing Canada, New Zealand, and Australia into the arrangement.

The European surpluses are likely to be principally milk or products raised on land which could, with hardly any extra incentive to farmers other than a guaranteed market, be diverted to milk. At the same time, Western European milk production is highly seasonal, depending on the summer flush of grass, because supplemental winter feeds are costly to grow or under existing arrangements have to be imported, irrespective of the value of the end product, at equally costly "world market" prices. Considerable seasonal surplus capacity is found not only on farms but also coincidentally in the milk processing industries, including dried milk factories. Although a dried milk factory could not work throughout the year at the rate of its busiest month without substantially increasing costs and although there would be additional user and other operating costs if the plant were more intensively worked, the opportunity costs of processing substantial quantities of additional dried milk from existing capacity is probably small. In addition, if Western Europe begins to idle land and to restrict milk supplies throughout the season, then the opportunity costs of producing more dried milk would still be low even if more factory capacity had to be constructed. The same argument applies, although to a lesser extent in view of the savings in transport costs, if European milk production is reduced by policies intended to reduce the degree of intensive production and of dependence on imported feeds. However, in this case the surplus capacity would be largely exported to the feed grain areas of the United States and other countries and the problem simply transferred to other parts of the Atlantic Community.

In these circumstances should we not explore the possibilities of a joint operation between the United States and Western Europe to produce

dried milk? Western Europe would contribute the cows and associated farm labor, summer feed and dried milk factory capacity. The United States would supply the supplemental winter feeds from its grain stocks. Importantly these feeds would be priced in relation to the estimated sale value of the dried milk to underdeveloped countries and not at the "world market" price which Western Europe pays for feed grains for its own use.

(A similar scheme could, of course, be operated within the United States. One topic for research might be how surplus feed grains might be divided between purely American and combined American-European schemes so that a given quantity of dried milk were produced at the lowest opportunity cost.)

Implications for the Land-Grant Colleges

Given the political constraints on the evolution of agricultural policies in the West, "Food for Peace" programs seem an extremely good "second best" means of aiding the economic development of many countries. More detailed investigations would probably show that underdeveloped countries would be justified in importing large quantities of surplus foods, not simply to reduce the hunger or malnutrition of their people, but to finance investment projects. In these circumstances there are two principal conclusions relating to the current and future work of the Land-grant colleges.

First, more attention should be given in the teaching programs of the colleges to Political Science in relation to agricultural policy. Such interest would provide an important corrective against overemphasis of policy recommendations drafted without sufficient attention to the political constraints surrounding the situation under discussion. For example, if a number of agricultural economists had considered in detail the political aspects of farm policy in the United States, it is extremely doubtful that Dr. Willard Cochrane's proposals for supply control would have escaped with such little criticism as they have received - and thus that current United States agricultural policy and policy discussion would be so much orientated towards costly forms of supply restriction. In the writer's opinion the failure to check sufficiently the political realism of Dr. Cochrane's analysis is an important reason why controversy during the last year about United States agricultural policy has failed to fasten on the most important issue - solving the surplus problem in ways most consistent with aiding underdeveloped countries - and why the public is less aware than it could be of the connection between United States farm policy and the problems of underdeveloped countries.

Second, and of more immediate importance, there has been little research on the possibilities for solving the farm problem by means of "Food for Peace" programs acceptable to underdeveloped countries as an

alternative to existing restriction schemes. Much research has been undertaken concerning the effects of the Conservation Reserve Program and ways in which it might be extended. Even more effort has been devoted to measuring the factors which must be considered in appraising and implementing proposals to restrict supply. Is there not a lack of balance?

Topics which might be examined include the opportunity for converting feed grain surpluses into dried milk for special nutritional feeding schemes, especially as a joint operation between the United States and Western Europe, and appraisal of all the factors which must be considered in working out the correct "shadow prices" for food imports in the development programs of underdeveloped countries. Also estimates of the detailed food requirements, including their relation to other investment needs, of particular projects in underdeveloped countries.

Have we not an obligation to give at least as much assistance to Mr. McGovern as we give to Mr. Freeman? And when they appear, to Mr. McGovern's opposite numbers in Western Europe?

ECONOMIC EFFICIENCY OF STRUCTURAL ORGANIZATION IN THE AGRICULTURAL AND AGRARIAN SECTORS

In discussing the use of American and European agricultural excess capacity, the previous part of this paper has asserted that if economists are to provide useful policy recommendations they must explicitly take account of the political constraints within which particular policies are to be formed or modified. Many economists would not accept this position and would feel that their obligation in the field of policy is to set out the various alternative courses of action and the costs and benefits associated with them, assuming that there is complete freedom of political action. In this way, they would say, the economic costs of particular politically inspired policies are shown.

There is, of course, a place for both of these approaches, for political economy and for the "purer" economics. In this part of the paper the emphasis is shifted to an appraisal which ignores the interplay of political and economic forces and which remains "purely economic" in the sense that this term is normally understood. However, it is recognized that recommendations derived from economic analysis of resource allocation and growth contain implicit political objectives or recommendations. The purpose is to consider whether sufficient attention is given in research and advanced economic study to questions of the efficiency of structures required to perform various functions, such as in marketing, in land tenure, or in geographical patterns of settlement of rural populations.

The need for such an examination is urgent. Many important issues are being ignored or insufficiently examined, whether concerning the richer or poorer nations, often in favor of topics which, in terms of their contribution to public information and policy needs, are already well explored at the economic level or from which the marginal returns of further exploration are likely to be extremely low.

In part, because many students from the poorer countries are now coming to the land-grant institutions (and to other western universities) there is need for a particular intellectual leadership, both by example and by instruction. For a multitude of reasons which are political and often associated with "anti-colonialism," many underdeveloped countries pursue extremely self-damaging economic policies. But generally they do not recognize this fact. Students coming from these countries need much more training than they now get in examining the efficiency of various economic structures of a society in adjusting themselves (i.e., the structures) and in transmitting incentives to change so as to maximize economic growth. To this end, the foreign students need to see their

teachers in the United States making more use of the techniques relevant to the problems of the underdeveloped countries.

Too often today the efficiency of economic structural organization is taken for granted or false conclusions are reached from inductive analysis of historical experience. Stated another way, as the older welfare economics relates to the use of resources it is too often ignored, even after allowance is made for its possible transformation into a more complex and diversified analytical system to take note of recent theoretical and applied studies.⁵²

It is important, not simply that more time be spent in describing how economic structures develop and how they transmit, fully or in part, economic incentives for changes in resource use. One must be able, and willing, to prescribe from this analysis. Prescription needs to be the ultimate aim, especially in view of the poverty of much of the world, in relation to underdeveloped economies. Yet this aim is often not recognized, and certainly not attained, in many important subjects affecting the efficiency of agricultural industries or the general well-being in so far as it is derived from the rural sector. In this respect the limitations of American agricultural economics, if only by virtue of its overwhelming absolute preponderance and of its influence in other countries, are an especial cause for concern.

With this view in mind, two subjects will be considered as illustrations - agricultural marketing, the writer's main past speciality, and land tenure and reform. The former will be considered mainly within the American context but the latter with direct reference to underdeveloped countries. In addition, one other subject, the study of which conveniently could be developed by agricultural economists, will be discussed. This subject is patterns of urban and rural settlement.

Agricultural Marketing Structures

Broadly speaking, research and teaching in agricultural marketing can be divided into two categories. In the first place, there are studies designed to make the system work more efficiently within its existing framework. Secondly, there are studies which consider whether or not the

⁵² These possible additions and modifications do not include the "new" (Paretian) welfare economics. In the writer's opinion, this is a less effective guide to understanding the scope and limitations of welfare analysis, especially in relation to actual political processes in democratic societies, than political science itself. Such works as G. Myrdal's The Political Element in the Development of Economic Theory from which some pertinent quotations are cited in Appendix 3, are preferred to the literature of the "new" welfare economics.

general framework should be changed. Of course, this distinction is not clear-cut. For example, proposals aimed at reducing production cycles in United States agriculture might require some public intervention, for example a grain price stabilizing agency, which would involve at least a minimal change in the marketing structure. But we can distinguish broadly between minimal changes in degree and changes in kind, such as occur if a privately-organized marketing organization is replaced by a government-controlled institution or as are involved by vertical integration.

In the earlier days of agricultural economics, marketing studies which either explicitly or implicitly questioned the efficiency of existing structures figured quite prominently in research. W. H. Nicholls's Imperfect Competition within Agricultural Marketing Industries is a good illustration, as well as the sources on which he draws for much of his evidence, such as the Federal Trade Commission's investigations on the meat packers. There were various studies on milk marketing. But, although there have been many important changes in the structure of agricultural marketing in the United States, such as the "organized marketing" based on state legislation in California or, more generally, the various milkshed arrangements, academic research on matters of structural efficiency are today probably no more numerous than they were thirty years ago despite the much larger numbers of agricultural economists.

On the other hand, studies designed to enable the existing structure to work more efficiently, particularly studies of demand and supply response and demand and supply projections, have grown very greatly in number. Anyone who has worked in the field of agricultural marketing policy and sought to give more attention to the efficiencies of alternative marketing structures owes a great debt to the sometimes direct, but more often indirect, evidence than can be drawn from this large body of research intended to make the existing system perform more adequately.⁵³ Yet, in acknowledging this debt, one may still wish that some of the investigators had applied the "old" welfare economics, or modified versions of it, more explicitly to structural problems.

There have been very few major studies within such a framework. R. G. Bressler's City Milk Distribution is an outstanding exception, as is the study by J. K. Galbraith and R. H. Holton on Marketing Efficiency in Puerto Rico.⁵⁴ Apart from a few articles, there is very little more. There are, apparently, no or hardly any detailed published studies of the welfare effects of the many marketing orders and marketing agreements in use in parts of the United States despite the fact that these schemes were frequently

⁵³ This can be seen, as far as the writer is concerned, by observing the names which appear most frequently in the index of his book, Agricultural Marketing Policies, Basil Blackwell, Oxford 1959

⁵⁴ Harvard University Press, 1955

introduced as income-raising schemes at the time of severe agricultural depression and are now continued on alleged grounds of more general efficiency. Similarly, the milkshed agreements have not been thoroughly reappraised. Nor, for example, is there anywhere in the literature a detailed statement of the general welfare theory for or against public intervention, as has occurred in Philadelphia or as is planned in New York, to resite and redevelop fruit and vegetable urban marketing facilities.

One special aspect of this limited coverage of the efficiencies of marketing structures is the almost complete absence in the American literature of serious academic studies of American marketing enterprises operating in underdeveloped countries, despite their importance at least in Latin America. The publications of the Stanford Food Research Institute contain much valuable information,⁵⁵ but the study by Galbraith and Holton, already mentioned, is perhaps the only one which deals at any length with this important subject. The American literature cannot provide material comparable to that associated with P. T. Bauer, especially his book West African Trade, or the other British studies of marketing activities of British and other expatriate firms in underdeveloped countries. For example, the United Fruit Company has not been subject, either directly or indirectly, to detailed academic study or governmental inquiry in the way such firms as the United Africa Company have been.

This difference is understandable. Britain had a direct colonial commitment which forced the government to take an active interest in matters closely relating to the expatriate marketing firms. The United States had not. The politically more sacrosanct position of private enterprise in the United States may have served to reinforce this difference in governmental attitudes. Certainly, much of the work in Britain of P. T. Bauer and others arose from direct commissions from the (then) Colonial Office. Yet, whatever the explanation, the gap in American literature is a serious weakness when set against the United States' international commitments.

These various observations are all supported, either by commission or omission, in the recent report by Dr. Robert L. Clodius and Dr. William P. Mueller, "Market Structure Analysis and Research."⁵⁶ First, footnotes and bibliography of this report testify to the small amount of available literature. Next, there is an outstanding omission: no references to some of the important works on welfare economics, such as by Scitovsky, Meade and above all Pigou. These works are the essential deductive complement to such valuable analysis as covered in studies Clodius and Mueller mention, for example, that of Joe S. Bain. This leaves the writer wondering whether these two authors are anxious to describe structures but hold a restricted view of what prescription should emerge from the description. Finally, their

⁵⁵ See, for example, footnote 18

⁵⁶ Journal of Farm Economics, August 1961

article has no references relating to American firms within the marketing systems of underdeveloped countries, although elsewhere Dr. Mueller has written about agricultural marketing in such countries.⁵⁷

What is needed is a series of studies from which we could draw a clear set of principles underlining what should be the nature and extent of public intervention, if any, to improve the systems of marketing, both in the United States and in other parts of the world with which it has economic commitments. There would be three benefits from such investigations for the United States and for the West's relations with underdeveloped countries. (1) Studies of United States situations would prepare economists for dealing with some of the important problems in underdeveloped economies. (2) A part of the program would, of necessity, include an appraisal of international agricultural marketing industries such as those dealing in bananas or other tropical fruits. Such an appraisal would place us in a better position to assess the charges of exploitation frequently levelled at expatriate traders in underdeveloped countries. (3) Any studies would need to be conducted from an historical as well as an immediately current viewpoint. In this way we should be more able to see clearly to what extent previous inadequacies of marketing systems were inherent in such industries or were the consequence of the general unstable economic conditions of the past.

We need a crash program of interpretation within the field of agricultural marketing policies, both nationally and internationally, both with respect to the United States and with respect to underdeveloped countries.

Land Tenure and Land Reform

The need for teaching and research on the applied welfare economics of land tenure and land reform has already been considered to some extent in the section, "Do We Care?" (page 6). If one believes that universities can exercise influence in such highly charged political situations as exist in underdeveloped, overpopulated countries (these often being ex-colonial countries), the past neglect of land questions stands out as a serious mistake. This seems clear from the general tone of the ideas and policies currently favored in many such countries.

In his recent paper, Economic Theory and Agrarian Economics, Dr. N. Georgescu Rogen demonstrates that in an overpopulated country the marginal principles of profit maximization do not apply to the rural sector and that a form of organization must be adopted which will maximize the present and prospective output of the whole agricultural labor force.⁵⁸ A feudal system working efficiently will do exactly this. But, unfortunately, for a long time feudalism has generally not been efficient. It is now always unpopular.

⁵⁷ "Some Market Structure Considerations in Economic Development," Journal of Farm Economics, May 1959

⁵⁸ Oxford Economic Papers, February 1960

An ideal means of maximizing the current agricultural output in an overpopulated country, assuming no economies of scale, is provided by individual peasant holdings. But economies of scale, although not great, do exist to some extent in many underdeveloped countries and cannot be obtained within the small holdings given to peasants after a land reform scheme. The result is that in many agrarian reform schemes a distribution of land is usually quickly followed by schemes, often compulsory, for the cooperative association of new peasants in production and sometimes in marketing. One Indian economist has said recently, "The solution (of the agrarian problem) has to be found in an organization of the agrarian sector in large units of land and population, feudal in theory, modern in technology and oriented to a socialistic purpose. Because the basic production units would be large, it is inevitable that the relation between men and land would be much looser than the one implied in individual peasant holdings."⁵⁹

The point to note here is that the quotation illustrates a tendency in many underdeveloped countries to see the solution to agrarian tenure problems in terms of a single solution instead of in terms of various complementary solutions. For example, the Indian Congress has recently passed a policy resolution reflecting this attitude. The Congress envisages a more humane and democratically controlled form of the Chinese commune with the central cooperative organization responsible for maximizing current production as far as possible and for utilizing surplus labor on capital works. But, it is still the commune approach. One may question the wisdom of a unique solution, especially in view of the heterogeneous economic, social and geographical conditions in a country so large as India. More generally, one may ask whether there may not be a constructive place for the more enlightened and progressive private landlords. Remembering the place which has been found for the minority of such landlords in the land reforms of southern Italy, one asks if it is economically sound to reject landlordism completely. Similarly, is it necessary to go from the one extreme of regarding the family farm as ideal in all circumstances to the other of rejecting it entirely as a basis for future policy? In some areas the economics of scale in production are unimportant and the external economics in marketing can be achieved by either cooperative or by private marketing institutions. One might remember the modest success which has been achieved in recent years in agricultures based on individual peasant holdings in various parts of Africa, even for crops which are well suited to plantation agriculture, such as coffee or cotton.

⁵⁹ Professor V. M. Dandekar in a lecture "Economic Theory and Agrarian Reform" at an international seminar on Paths to Economic Growth organized by the Congress of Cultural Freedom and the Gokhale Institute of Politics and Economics at Maharashtra, India, January 1961. To be fair, Dr. Dandekar advocates large scale organization in part as a means of providing work on capital projects in periods of seasonal unemployment or underemployment. In the writer's opinion, this end could be attained without resort to such large scale production units and is, therefore, not considered further, so simplifying the argument.

There is an important opportunity to indicate by research the wide range of complementary means for improving tenure systems so that they assure an increased measure of justice to the cultivator and bring greater economic efficiency to the national economy.

Some Problems of Location

Other important structural problems concern the optimum locations of populations in terms of sizes of and distance between urban and village communities, both in developed and underdeveloped countries. Many of the problems here have only a slight or indirect effect upon the rural economy and might, therefore, be thought to fall outside the activities of agricultural economists. But, agricultural economists frequently have a keener interest in problems of regional development and of patterns of settlement than other economists. They have developed most successfully the practical use of programming techniques which will be required to clarify some of the important welfare implications of patterns of rural and urban settlement.

Changes in the patterns of settlement can have important effects on the income base and well-being of rural communities, even if in the first instance the changes directly effect urban communities whose prosperity is dominantly based upon secondary and tertiary industries. For example, if it were thought desirable on economic grounds to decentralize population away from some of the congested conurbations, than some rural areas and country towns would certainly benefit from the advent of new employment opportunities and of new population to share the social overhead costs. Moreover, in some underdeveloped countries a substantial degree of dispersion into small and less geographically urban settlements may yield an important social product in terms of more rapid agricultural progress and development of cottage industries using underemployed rural labor.

So far there has been a great deal of work done on the hierarchical structure of settlements so as to define the relationship, both in terms of size and in terms of distance from each other, between and among urban and rural settlements. Crystaller's study of the hierarchical pattern of towns and villages in southwest Germany is one of the pioneering classics. The same can be said of Losch's analysis of the Iowan plain, which showed that, broadly speaking, each town "dominated" four towns in the next rank of the hierarchy below it. The Pareto "law" of income distribution has been applied by several investigators, originally by H. W. Singer.⁶⁰ As in describing income

⁶⁰ Economic Journal, June 1936. For the present writer's contribution see Bulletin of the Institute of Statistics, May-June 1954. More than 100 cases are considered to show the broad applicability and relevance of the Pareto law to describe relationships between size of settlement and numbers of settlements above specified sizes.

distribution, the Pareto formulation has important deficiencies although it is often a valuable first approximation; various more complex relationships have been derived to explain the size pattern of urban and rural settlements, many of these studies appearing in the last decade in Economic Progress and Cultural Change.⁶¹

Mathematical summary of the space and size relationships among rural and urban settlements could be one of the most powerful planning devices if the mathematical properties of the optimum structure from an income maximizing point of view could be indicated for any particular country or region. Unfortunately, the work which has been done so far is descriptive rather than prescriptive — a good example of a lack of interest in the "old" welfare economics. We can measure fairly accurately properties of the hierarchies which have existed in the past. For example, if the size characteristics of settlement hierarchies are described in terms of the Pareto law, then it is common to find, with the important exception of the United States and Canada, that before a country begins its industrial revolution the slope of the curve is between -1.4 and -1.65 — but that as industrialization occurs, apart from there being a general movement of population from villages and countryside generally into towns, the larger towns grow relatively to the others so that the slope falls to between -.95 and -1.20. Yet, we cannot be certain that the extent of the change is economically optimal from the point of view of maximizing national income.

Indeed, if we look, for example, only superficially at the tax policies of national and local government and the pricing policies of important public services we can find many cogent reasons for believing that the degree of concentration of population in the largest conurbations is wasteful of economic resources. It is common for example, for the commuter transport systems in large conurbations to be heavily subsidized. Public utilities must be priced on the basis of average cost although they are often forced to expand their services under conditions of increasing costs.

While these important economic wastes are often lost sight of, it is clearly obvious that outlying rural areas, for example the mountainous areas of western Europe, are heavily subsidized in order to maintain population in them. But, detailed examination would probably show that there is a basic "law" at work in many countries, both developed and underdeveloped, today: namely, the "law" of the subsidization of the extremes by the middle. This means that both the very large urban conurbations, such as New York, London or some of the South American cities, and at the other extreme the scattered and often isolated rural

⁶¹ The pioneer of these more complex relationships was R. Gibrat, Les Négalités Economiques, Paris 1931

communities are subsidized at the expense of urban areas within a size range of, say, 25,000 to 500,000 population.⁶²

In underdeveloped countries the large cities, often growing without control, are important sources of waste. Although they have heavy underemployment and often large unemployment, people still flock to them from the overpopulated rural areas because at least there is a better chance in these towns of finding employment than there is in the countryside. Inevitably, when manufacturing industries are established, this attractive power increases. Unfortunately the large underemployed or unemployed proletariates of the big cities located in underdeveloped countries become groups with great political bargaining power. Their interests cannot be ignored even though this frequently involves retarding economic growth. For example, heavy social expenditures are required to mitigate the unrest which accompanies poverty and insecurity, usually harder to bear in big cities than elsewhere. In contrast, smaller towns may avoid these social costs. Simply by being smaller and nearer to rural population they do not acquire such a proportionally large urban proletariat; or, even where they do acquire it, its dispersion among a larger number of towns makes it politically less dangerous and harmful to economic growth.

Research, then, is needed to find out what is the appropriate urban hierarchy in any particular developed or underdeveloped country. When considering the underdeveloped country, the range of possible social costs of large settlements must be extended to include the growth-damaging political reactions which are likely to arise in the face of politically powerful urban depressed groups. The programming techniques of agricultural economics and perhaps even the older budgeting techniques can do much to indicate the size properties of optimum urban hierarchies. But, as in many other matters, it will be necessary to make a qualitative appraisal of many important factors bearing on the social costs of certain types of urban settlement.⁶³

The discussions of this section constitute a plea for an important change of emphasis of work within the land-grant institutions. But, before, exploring more fully what is involved, the urgency of much of

⁶² For some limited economic evidence to support this statement as far as the United Kingdom is concerned, see G. R. Allen, "The Geography of Liberty," The Unserved State, (editor, G. Watson) Allen and Unwin, 1958

⁶³ Especially if the concepts of social product and social cost need to be defined more widely than in the conventional static settings and are required to take in the essentially dynamic notion of circulation causation as used, for example, in G. Myrdal's, Rich Lands and Poor (title for British edition, Economic Theory and Underdeveloped Regions, Allen and Unwin, 1957)

the argument may, it is hoped, be underlined by drawing attention to what can best be described as the economics of anti-colonialism or, more appropriately, the economics of anti-ex-colonialism.

DIAGNOSING THE ECONOMICS OF ANTI-COLONIALISM

Economic policies in rich as well as in poor countries frequently conflict with the interest of the people whom they are intended to benefit in consequence of being influenced by pressure groups, and, apart, by powerful emotions which work against a rational solution. For poor countries the damaging effects of such irrationalities involve a greater loss of welfare than they do in the rich countries. Dr. Myint, who is quoted more extensively later in this section, notes that "The underdeveloped countries are too poor to enjoy the luxury of harboring their emotional resentments."

In consequence, one urgent task today is to recognize the effects of intense nationalism and anti-colonialism on public economic policies and on economic doctrine in underdeveloped countries and to separate them from the many, strictly reasonable grounds for disagreement on what economic policies should be adopted. This problem of separating emotion from reason applies as much, if not more, to the primary sectors and related industries as it does to other sectors and industries. The task is not easy, but it is one which a university, especially in its teaching role, is or should be better equipped to tackle than are other institutions or public enlightenment.

Many illustrations can be found of anti-colonialism and xenophobia producing, in the writer's opinion, unsound and uncritically - accepted economic doctrines. For example, economically dualistic development seems to be regarded almost universally as a sign that western economic ideas as well as international trading in primary products contrive to retard growth in poorer countries. In some cases this may be true. But the fact seems to be overlooked that, given the importance of external economies obtained from a degree of geographically-compact economic development, the influence of natural transport facilities such as rivers, the localization of raw materials and the existence of many internal social and economic barriers to complete mobility of factors of production—some dualism is inevitable in the process of growth in underdeveloped countries and should be taken as a sign of growth and not as a pointer to "exploitation."⁶⁴

⁶⁴ As a salutary reminder, the experience in the eighteenth and nineteenth centuries of Britain, a relatively socially homogeneous country in which distances are small, is discussed in Appendix 4. However, none of this defense of "inevitable" dualism means that the writer is satisfied with the present degree of geographical concentration of economic development in some underdeveloped countries, as the discussion of a few pages earlier shows.

Again, expatriate traders, especially if they are also money lenders are always a good target of attack - as they were in Europe in the Middle Ages.⁶⁵ The indigenous economic interests they damage can use xenophobia as a means of retaliation. For example, the widely-accepted views concerning money lender-merchants will not always stand up to serious examination.⁶⁶ Again, the writer's direct contact with the problem of expatriate traders came during a study of the marketing and distribution of dried fish in Central and West Africa in 1959. During the inquiry a recurring theme was the alleged economic harm which the foreign traders did. Yet statistical investigation suggested that it was in retailing, in which the foreign traders were absent, and not in wholesaling, which they dominated, that the main wastes occurred.⁶⁷

Perhaps the challenge facing analysts in the general context of the economics of anti-colonialism can be emphasized by an extensive quotation from the work of Dr. H. Myint.

"It may be argued that we have given too strict an interpretation of the 'export-bias' doctrine which is merely meant to convey the general proposition that, whatever the exact cause, the nineteenth-century process of international trade has landed many underdeveloped countries with a large ratio of raw materials exports to their total national products, making it desirable to reduce their 'vulnerability' to international economic fluctuations. But the trouble is that the 'export-bias' doctrine tends to suggest that the raw-materials export production of the underdeveloped countries has been artificially over-expanded, not merely in relation to their domestic sector, but absolutely. Given the strong feelings of economic nationalism and anti-colonialism in the underdeveloped countries, this can be a very mischievous doctrine strengthening the widespread belief that to go on producing raw materials for the export market is tantamount to preserving the 'colonial' pattern of trade. Thus already many underdeveloped countries are giving too little encouragement to their peasant export sectors by diverting too much of their capital and technical resources to industrial development projects, and are also crippling their mining and plantation export sectors by actual or threatened nationalization and various restrictions and regulations. The effect is to reduce their foreign exchange earnings so urgently needed for their economic development. Of course, no competent critic of the nineteenth century pattern of international trade would ever suggest the drastic step of reducing exports absolutely; some would even concede the

⁶⁵ See Appendix 5

⁶⁶ See Barbara E. Ward, Cash or Credit Crops? An Examination of some Implications of Peasant Commercial Production with Special Reference to the Multiplicity of Traders and Middlemen, Economic Development and Cultural Change, Vol. VIII, No. 2, January 1960

⁶⁷ G. R. Allen and J. Chaux, Some Aspects of the Marketing of Dried Fish in Central and West Africa, F.A.O., 1961. A good (continued)

need for vigorous export drive policies.¹ (1 Cf., for example, Gunnar Myrdal, *An International Economy*, p. 274.) But having built up a pervasive feeling of hostility and suspicion against the 'nineteenth-century' pattern of international trade, they are not in a position to ram home the obvious truths: (a) that, even on an optimistic estimate of the possibilities of international aid, the underdeveloped countries will have to pay for the larger part of the cost of their economic plans aiming either at a greater national self-sufficiency or at the export of manufactured goods; (b) that the necessary foreign exchange for these development plans can be earned by the underdeveloped countries at the present moment only by the export of raw materials (though not necessarily the same commodities for which they were supposed to have a differential advantage in the nineteenth century); and (c) that therefore to pursue their development plans successfully it is vitally important for them to carry out the 'export-drive' policies, which in their technical properties may not be very different from those of the colonial governments in the past.² (2 Colonial governments have frequently defended their export-drive policies as the means of taxing foreign trade to finance services needed for internal development. But because they were colonial governments their motives were suspect. At first sight we might imagine that the new independent governments of the underdeveloped countries would be free from this disability. But unfortunately, given the atmosphere of intense nationalism and anti-colonialism, this is not true. In some cases the hands of the newly independent governments seem to be tied even more tightly, and economic policies admitted to be desirable are turned down as 'politically impossible.' Here those economists who regard themselves as the critics of the classical theory and the nineteenth-century pattern of international trade have a special responsibility. Instead of dealing tenderly with the 'understandable' emotional reactions which they have partly helped to create, they ought to be emphatic in pointing out the conflicts between rational considerations and 'understandable' mental attitudes. The underdeveloped countries are too poor to enjoy the luxury of harboring their emotional resentments.) In trying to carry out their development plans on the foreign

67 (footnote continued from page 54)

example, discussed there, is provided by the recent Nigerian official Report of the Committee on Aids to African Businessmen. This seems to have totally misunderstood the economic factors determining successful organization in the important stock fish importing trade. In consequence, it makes proposals for limiting the activities of foreign businesses by licensing, the likely result being to damage the economy in the short-run without providing any guarantee that in the long-run the indigenous businessmen will become equipped to do the task now completed by the expatriate traders.

exchange earnings from raw-materials export they would, of course still be 'vulnerable'; but this should be considered separately as a problem in short-term economic stability³ (³ Cf. the United Nations Report on Measures for International Economic Stability and Myrdal's comments on it, op cit., pp. 238-53.) and not as a criticism of the nineteenth-century pattern of international trade in relation to the long-term development of the underdeveloped countries."

H. Myint, "The 'Classical Theory' of International Trade and the Underdeveloped Countries," Economic Journal, June 1958, pp. 335-6.

THE NEED TO REVIVE WELFARE ECONOMICS IN THE STUDY OF THE AGRICULTURAL AND AGRARIAN SECTORS

The previous two sections emphasize the need for much greater attention than is at present given to questions of the economic efficiency of various aspects of structural organizations relating to agricultural and rural areas, as in marketing, land tenure and urban-rural relationships. How should this be done?

The writer's proposal will probably be surprising and regarded as at least old-fashioned, even if not positively ante-diluvian! Much greater emphasis should be given, both by use and by teaching, to applying the so-called "old" or Pigovian welfare economics in agricultural economics as a system of analysis, although certainly not necessarily as a body of doctrine. This is a plea that we make use of the whole range of ideas in Part II of A. C. Pigou's Economics of Welfare and in such principle derivatives as A. P. Lerner's Economics of Control, T. Scitovsky's Welfare and Competition and J. E. Meade's Trade and Welfare (Volume II, Part I).

Older economists will claim, generally with justice, that this welfare economics is an integral part of their background and professional make-up. Even so, large numbers of them seem to have turned from it to other techniques which, while in many ways more precise, are frequently more restrictive in the range of analysis. Then, a variety of reasons have led to Pigovian welfare economics being, in the writer's opinion, mistakenly neglected as a technique of applied analysis in advanced postgraduate training of agricultural economists in more recent years. A class taken in welfare economics in a Ph.D. course but not intensively applied later is an insufficient substitute. This neglect seems especially serious in underdeveloped countries.

The consequences are serious, for without some general view of welfare economics, the research worker or teacher runs the risk of concentrating excessively on the study of a part of a whole at the expense of that whole. Here we have for example, probably one important reason why so little work has been done on the structure of agricultural marketing and why too much time has been spent in studies, often yielding low returns, of efficiency of small sectors within an uncriticized structure.

It is not intended that the Pigovian welfare analysis should be applied without any modifications or qualifications; to do this would simply be to ignore many of the important advances and insights of recent years. That the approach intended is more flexible can best be shown by discussing some of the principal objections which will be raised even against using the "old" welfare economics at all.

(1) There are doctrinal implications in Pigovian welfare economics which may be misleading, especially for underdeveloped countries. The Economics of Welfare and its immediate derivatives take for granted that, or fail to examine whether, policies to promote the so-called "best allocation of resources" are complementary or competitive with those which maximize the rate of economic growth. There has been a strong bias in assuming that they are complementary. Yet, policies for a "best allocation" and for growth may often conflict.

A classic recognition of this possible conflict is Joseph Schumpeter's argument in Capitalism, Socialism and Democracy, especially in chapters 6 to 8, that certain restraints on competition promote technical and economic progress in the individual firm and that to this extent perfect competition cannot be taken as a norm. Critics of imperfect competition situations, he says, pay too much attention to the position reached by the firm on its long-run cost curve and insufficient attention to the factors determining the position of the whole curve; the loss through excess capacity may be more than offset by the downward shift of the curve promoted by the very institutions or arrangements which cause the excess capacity.

Again, taxes on agricultural output, as applied by various devices to some export crops in some underdeveloped countries, may lead to a current "misallocation of resources," but the proceeds, if widely used, may secure a more valuable higher rate of growth, including improvements in agricultural technical efficiency, more than sufficient to offset before long the effects of the initial "misallocation."

More generally, and as a brief summary, economic growth depends upon a series of stimuli, in part interdependent and in part independent of each other: the total level of investment, and, in consequence, of consumption; the patterns of investment and of consumption, and the quality of the people (which subsumes their level of know-how and their attitude toward both the gains and inconveniences of progress.) Only a miraculous harmony of economic interests would insure that there is no conflict between the individual policies most favorable for each of these stimulants considered in isolation. Certainly, static perfect competition is unlikely to provide a safe guide.

Another doctrinal weakness is the implicit assumption that the economic system contains no important discontinuities (i.e., kinks in the demand or supply curves) and that, as long as the man-made barriers (frictions) to change are eliminated or overcome by special measures, adjustment in a competitive system will automatically tend to take place from a less favorable situation to one which is optimal in terms of total factor use and development. After all, Alfred Marshall had said; "Natura non facit saltus" (Nature does not make a jump.) But, perhaps, after all it does, as many recent writers on economic growth suggest.

Yet, to reject the doctrine of the "old welfare economics" does not mean discarding its analytical technique no more than doubts about some of the policy recommendations of Keynes' General Theory has required a whole-sale rejection of his methods of thinking. Instead, the model of the "ideal" economic system will vary from country to country, perhaps only rarely corresponding, even approximately, to the original perfect competition norms. For example, monopoly marketing for export crops may provide the most effective means of taxing agriculture to finance growth. But, justification for such cases can be discussed in terms of the Pigovian concepts of social costs and social products.

Yet, the concessions could not be overgenerous. Once the allocation of resources, or more precisely of capital, has been determined between the broad sectors of the economy, whether according to Pigovian or non-Pigovian doctrine, the "best allocation" rules may be a perfectly satisfactory guide for a particular sector in maximizing the return from the resources at its disposal, subject to whatever constraints are imposed by the inter-sectoral allocation. This view will certainly generally apply in agriculture and its associated marketing industries.

In all, the "old" welfare economics can be maintained as a framework of analysis leading to prescriptive conclusions without necessarily accepting implicit or explicit prescriptions inherent in earlier statements or applications of it.

(2) As Myrdal has said, "The perpetual game of hide-and-seek in economics consists in concealing the norm in the concept. It is thus imperative to elucidate not only the explicit principles but above all the valuations tacitly implied by the basic concepts."⁶⁸ Practitioners of the "old" welfare economics have not always heeded this advice, and their recommendations are shot full of value judgments.⁶⁹ Yet, except in making us more aware of the normative overtones of concepts such as "best allocation of resources," discussions surrounding the "new" welfare economics do not appear to have provided any practical advance from the position that the economist making policy recommendations should be aware of the emotive content of many terms he uses, such as "imperfect competition," should state his value premises and should indicate who gains and who loses economic utility if his advice is followed. This position is perfectly compatible with using a welfare economics derived basically from Pigou.

(3) Has not welfare economics been replaced, or is it not in the position of being replaced, by quantitatively more accurate and therefore

⁶⁸ See Appendix 3

⁶⁹ As is much of this report. Here, it is hoped, that the writer's value premises are clear and that they will command wide support

more useful programming techniques developed in recent years? On several counts the answer is no. The least substantial objection is that programming techniques, while they may often locate economic wastes more accurately and while they can certainly measure the extent of some economic wastes much more exactly, do not in themselves indicate the causes of inefficiency or means of achieving improvement. In such situations, at least in complex cases, the results of econometric analysis become one part of the data which must be fed into a more comprehensive scheme of welfare analysis. More important, many situations are too complex to be handled satisfactorily by programming techniques; then the more qualitative and more deductive methods of welfare analysis must be used. Even where the theoretical complexity of particular problems are not insuperable, inadequate statistical information makes the "old" welfare economics a practically more reliable, even though imperfect, tool. This is especially the case in underdeveloped countries.

Perhaps the most overwhelming objection remains. Programming techniques are designed to deal with questions of efficient allocation of resources within a specified, often assumed, set of institutions. They do not and cannot analyze the efficiency of alternative institutions. Yet, changes in institutions are frequently of critical importance in securing rapid economic development. Indeed, economic progress in underdeveloped countries often depends as much, if not more, upon appropriate changes in institutions than upon resource allocation determined wisely in the light of quantitative relationships within the existing framework. Here the "old" welfare economics can come into its own, even if it has not always done so. Pigovian welfare economics provides the best starting point in developing a system of analysis which will embrace qualitative appraisal of institutions and forces which cannot be quantified. It is the link between the institutionalists and econometricians.⁷⁰

(4) Welfare economics relies on a static presentation of the interworking of economic forces and does not recognize that their interrelationships develop through time, often in sequences which may vary one with another. Yet, does all this make welfare economics inappropriate for itemizing the details of policies required to achieved stated economic objectives in an essentially dynamic world?

The following is admittedly an incomplete answer, but provides grounds for feeling intuitively that static analysis is generally adequate.

⁷⁰ In all the writer agrees with a recent statement by Professor J. R. Hicks. "One is driven to the conclusion that linear programming and the price mechanism are rather close substitutes - both in the things they can do and those they cannot. But the fact that two things are close substitutes does not exclude the possibility that there may be a part for each to perform." (Economic Journal, December 1960, p. 695)

There are many outstanding illustrations, such as Keynes' General Theory and the whole body of Cambridge economics, which show by their achievements that under many conditions static analysis is a perfectly convenient short-cut in comprehending the forces at work in a dynamic situation, especially in indicating the important conditions which must be fulfilled if a given position is one of stable equilibrium or if a position of stable equilibrium is attainable.

At the micro-economic level, a good illustration is provided by the use of the cobweb theorem in analyzing production cycles in agriculture. A more accurate account of the time process of interplay between the variable concerned and of the path to or from equilibrium can be given by sequence analysis, as for example in the work of Dr. Marc Nerlove.⁷¹ But, whether or not a position of equilibrium will be achieved or maintained can be stated in static terms: estimates of the time, given an initial disturbance, in moving from one position of equilibrium to another, assuming (as is normally the case) stable conditions, can be judged by simple observation and interpretation of past experience and does not depend upon the system of analysis used.

The case for "old" welfare economics has largely been made in meeting the likely points of objection to its use; but there is one reason, fundamentally political, why The Economics of Welfare should be a major analytical starting point in agricultural economics. Earlier quotations from Miss Barbara Ward's book, India and the West, have stressed the principal difficulty which the West faces in its dealings with the uncommitted nations - its apparent lack of interest, except for motives of self-preservation, in the economic fate of the underdeveloped parts of the world. The emphasis in these quotations is entirely right. In relation to the needs of underdeveloped countries, the work of the economist must often be of secondary importance. The great problem is much less how to enable them to make better use of their resources than it is to get them more resources, either as gifts or loans, from the rich countries.

However, the secondary contributions of economic analysis remain valuable. In such terms one must recognize that western economists as a whole are not doing sufficient to meet the ideological gap to which J. K. Galbraith referred in another quotation cited earlier, either in respect to agriculture or to other industries. Outside the Keynesian framework, which anyway is largely relevant only to the rich countries, we have no clearly thought out and agreed upon body of economic principles for economic planning. We cannot present to the underdeveloped world a coherent analysis for working out the whole interplay of economic forces which will offset the

⁷¹ The Dynamics of Supply: Estimations of Farmers' Response to Price, Johns Hopkins Press, 1958, pp. 55-59

intellectual attractions of the apparently successful, simple recipes of the communist countries. More precisely, we cannot provide the planning map for a decentralized society in terms which will be convincing or appropriate for an underdeveloped country; that is, for a society which, unless it gets more funds from abroad, must rely on forced savings, which must reform many of its institutions and which must eliminate many cramping frictions and barriers to economic change. We have no principles to indicate how far we should plan by the price mechanism and how far we need to supplement or replace its influences.⁷²

Such a synthesis is urgently needed. Of course, part of the difficulty is that the small number of economists writing about underdeveloped countries disagree strongly among themselves concerning the nature of significant economic inter-relationships.⁷³ But, to a large extent, we might find that an effective synthesis of many apparently conflicting ideas would be fairly quickly attained simply if more economists concentrated on the problems of agriculture (and of other industries) in relation to economic development from the analytically comprehensive approach of Pigovian techniques. For example, application of the old welfare economics might do much to sort out the confusions in the doctrines which have come to be associated with anti-colonialism.

In all, Pigou's Economics of Welfare remains the important starting point in building up a system of analysis which will take into account the inter-play of economic and social institutions as well as relationships between economic variables within specified institutional frameworks, in deciding how specified goals can best be attained. It provides the analytical framework within which econometric work can attain its full value. It also makes possible qualitative appraisals of institutions and forces which cannot be quantified. Although usually regarded as a weakness, one of the great

⁷² In the first period of post-war Labor Party government in Great Britain, there was a lively controversy concerning the extent to which it was necessary to plan by means of physical controls and administrative order and of the extent to which reliance could be placed upon the price mechanism. Two books, although both written very much with immediate British issues in mind, come close to indicating the type of synthesis required. They were James Meade's Planning and the Price Mechanism and Arthur Lewis' Principles of Economic Planning. Both authors argued that a central planning agency could rely to a very large extent upon the price mechanism as long as it made certain crucial selective interventions. Both of the writers were known supporters of the Labor Party. Their books are both, in effect, extensions from A. P. Lerner's Economics Of Control, itself, except for its Keynesian elements, owing much to Pigou.

⁷³ Contrast, for example, the views of P. T. Bauer on the one hand with those of A. O. Hirschman and G. Myrdal on the other.

strengths of the book, is the space devoted to lengthy and explicit discussion of the ways in which institutions operate on economic stimuli and responses to stimuli.

It is strange that a thorough mastery of the long and difficult text books on linear programming should so widely be thought the sine qua non of many Ph.D. courses in agricultural economics, yet a mastery of the more comprehensive "old" welfare economics is not required. We need many, very many, specialists in programming, but the need for a substantial, even if fewer, number of welfare economists may be even greater. As agricultural economists, we need to revive welfare economics.

GENERAL CONCLUSIONS⁷⁴

Since their formation, the land-grant colleges, naturally enough, have concerned themselves principally with the technical, economic and social problems directly and immediately affecting American farmers. Essentially they have been, in the best sense of the term, national in outlook. But now the need, above all, is to look outward beyond the frontiers of the United States. This shift in outlook must be of much greater extent than that achieved by developments since the last war. As part of this task, colleges have to play a large part in the difficult task of rapidly building up a large informed and internationally-minded body of public opinion in the United States. The world in which we live demands a drastic reorientation.

As it will have become clear many pages back, this report has been written to turn the premise above into a dominant conclusion. To this end, there have been three principal themes:

(1) Certain topics demand greater emphasis in research and teaching than they now get: principally, (a) means of solving the American-European farm problem in ways which can directly and indirectly bring the greatest benefit to the poor countries of the world, and (b) important questions of structural efficiency relating to agriculture and the agrarian sector, again with main emphasis on the needs of underdeveloped countries. "Food for Peace," land reform, marketing, and the patterns of urban / rural settlement have been discussed at some length to support the urgency of the contentions.

(2) Implicit in the analysis has been the writer's view that colleges need to reappraise the balance between teaching and advanced study on the one hand and highly specialized research on the other, with greater emphasis than is now given to teaching and advanced study.

(3) More room should be found for the systematic use of welfare economics in postgraduate training and subsequent work. Greater opportunities should be provided for political scientists to work on agricultural and agrarian affairs.

More specifically, the main recommendations are as follows.

(1) Research or Advanced Study. Land-grant colleges tend to devote most of their resources in the social sciences to research on primary data, usually with reference to internal United States problems and frequently on narrowly-defined subjects. They do this rather than emphasize advanced

⁷⁴ Here it may be appropriate to remind the reader of the purpose of this report as indicated in the preface. Otherwise, the attitude underlying the recommendations which follow may be totally misinterpreted as European sour grapes!

study, (appraisal and synthesis of secondary information, i.e., research studies) with the object of getting a wider view of related problems and policies in the economic and social fields.

In the long run, advanced study, as defined, obviously presupposes a large amount of research, as defined.⁷⁵ Yet, in relation to the world's problems, especially those in underdeveloped countries, there is an immediate and urgent need for a large number of university staff economists whose principal commitment should be, over the wide range of agricultural and agrarian policies, to assimilate a large body of secondary information, to synthesize from it, and to disseminate the results both on and off campus.

Perhaps only five percent of resources within agricultural economics and related fields should be redirected to achieve the envisaged benefits. Yet this shift underscores a strong plea for more generalists and less specialists.

(2) The Role and Status of the Teacher. To create an academic climate suitable for generalists and to garner the fruits of their work presupposes a reappraisal of the status of teaching, per se, in the land-grant colleges. Conversations with academic people in many colleges and the writer's own limited experience indicate that success in teaching is valued much less than success in research. "Publish or perish" is a reasonable rule if an individual's teaching commitment is to be within a narrow field. In that case stimulating teaching will generally presuppose successful and continued research on primary data.

But if it is granted that there is a need for more generalists, then for them research on the one hand and teaching and advanced study on the other, at least if simultaneously pursued, become competitive and not complementary.⁷⁶ Working on primary data and writing up the results consume time and energy and mitigate against teaching in a successful, integrated way over a wide range of topics. There is an extremely important role to be played by the academic who is primarily a teacher with wide interests, who keeps most of his time for advanced study (as defined above) and who relies principally upon the spoken word to disseminate his understanding.

(3) Extension Work and Adult Education. In line with the last two recommendations there is an extremely strong case for strengthening the efforts already being made in several land-grant colleges (Arkansas, Iowa, Pennsylvania and New York) to widen the scope of extension work by providing basic material and guidance for farm community groups to discuss the

⁷⁵ Many British universities may err too much in the other direction, but the extent to which they have so far emphasized prowess in teaching provides a striking difference from what appears to be the situation in land-grant colleges.

⁷⁶ Perhaps the majority of needed generalists should be recruited from those who have already demonstrated, by a successful research career, an awareness of the dangers of superficiality - which is the risk of advanced wide-ranging study (and which may be asserted against parts of this report!)

more general problems bearing on local and state government and administration. In the process, extension work becomes adult education in the social sciences. A further need is to widen the terms of reference to take in the rest of the world and the United States' international policies.

(4) Organization. The proposals made above generally do not involve any major changes in organization within the land-grant colleges which are unlikely to be self-evident. Presumably, the main problem would be in judging the teacher, whose attainments obviously must be less tangible than those of a researcher.

One specific organizational proposal, it is hoped, would be favorably considered. Closer formal links should be established by the land-grant colleges with European universities having strong departments of agricultural economics.⁷⁷ Apart from the reciprocal benefits for Europe, this arrangement would aid the United States. European academic traditions could be of great assistance in securing the new emphasis suggested above. In addition, such contacts would facilitate the more extensive tapping of the large amounts of expertise on underdeveloped countries which, by virtue of past imperial connections, exist in many European countries, including their universities. This, of course, is a wasting asset, but it is still substantial.⁷⁸

One specific way of fostering the proposed intercourse might be for inter-university agreements which would enable American postgraduate students to count work at European universities as part of their required course work for a Ph.D. at an American university.⁷⁹ Formal arrangement would be required because of the need for an American student seeking an academic career to possess a Ph.D. Or again, some projects now being planned bilaterally between individual American universities and

⁷⁷ This would be as much, if not more, to the benefit of Europe as it would be to the United States. Above all, American demonstration of the value of a high level of specialization would help to check the European tendency to produce too many generalists - a tendency which may explain why Europe, outside Holland and Scandinavia, lags in econometrics, but not in policy studies.

⁷⁸ On several occasions during 1960 and 1961 the writer was given the opportunity to sit in on discussions relating to new projects in underdeveloped countries, especially in Africa, being planned by American universities. From time to time it seemed clear that, if the experience existing in Europe could be drawn on, given objectives could be attained more quickly. The academic labor market of the Atlantic Community is in many ways still an imperfect one!

⁷⁹ The Oxford postgraduate Bachelor of Philosophy (B.Phil), taken in Economics with an optional paper and an Optional dissertation in Agricultural Economics, and Diploma in Agricultural Economics are two examples. The Diplomas of the Institute of Social Studies at the Hague are others.

institutions in underdeveloped countries might be developed on a tri-partite basis to include particular European universities as third partners.

(5) Important Topics in Advanced Study and Research. In view of the considerable economic element in present international tensions, certain subjects claim top priority. In advanced study a crash program is needed, especially for underdeveloped countries, above all for land, credit and marketing problems. In research a top priority is a thorough appraisal with- in a realistic set of political assumptions of the case for a greatly extended "Food for Peace" program, especially one which covers the whole Atlantic Community. In the longer run, the welfare economics of urban and rural geographic patterns of development seems important.

(6) Political Science in the Study of Agricultural and Agrarian Affairs. The need today is for a political economy, rather than an economics, of agriculture and rural communities. To this end there should be much more scope for work by political scientists in the social studies work of the land-grant colleges, and they should work closely with economists.

Taken together these six proposals would involve some radical changes in the field of social studies in the land-grant colleges. Perhaps, we can end as we began, stressing the urgency of the international situa- tion which demands at least a willingness to consider drastic proposals.

"We are in a revolutionary era, and there is no rule saying that Communist leaders may not play Communist politics in it - or that only capitalists counterrevolutionary politics may be played.

"For the irrepressible human forces which are impelling this great transition period there are no simple solutions. The crying need is for understanding and explaining them so that they may be lived with and adjusted to. The world which our foreign policy has been concerned with salvaging has already largely gone by. Our basic challenge is to become able to make human welfare our dominant concern. And the shift had better be made rapidly, because only in that direction lies what is worthy of striving for.

"But that way demands a crash program in intellectual and popular rationality!" 80

⁸⁰ Neal D. Houghton, Professor of Government, University of Arizona, "The Challenge to Intellectual Leadership in Recent American Foreign Policy," Social Science, Vol. 36, No. 3. June 1961

APPENDIX 1: Agricultural Production of Western Europe, 1909-13 to 1934-38

Stagnation and Growth in the European Economy by Ingvar Scennilsson¹ contains statistics (presented as index numbers) by regions for the whole of Europe, including the Balkans, of gross production for three principal groups of commodities - seven major crops (wheat, rye, barley, oats, maize, potatoes, and sugar beets), pigs and cattle (including milk cows.) The indexes for the six regions, which now roughly correspond to Western Europe, have been recombined according to the proportionate productions of the crops or numbers of stock immediately before World War I, as shown in Table 1.

Total output is underestimated by these indexes in that the productivity of the cattle and pig populations probably rose slightly more rapidly than their numbers, due to improving techniques in animal husbandry. On the other hand and much more important, some of the increase in stock, especially pigs, was sustained by part of the production of the seven crops included in the index and by increased imports of feeding stuffs, imports being especially significant for Denmark, the Netherlands and the United Kingdom. Thus, on balance, the recombined total index of the next paragraph somewhat overestimates both gross and net output.

In the years immediately before World War II, on the basis of Table 20 in Output and Expenses in Agriculture in Some European Countries,² perhaps 75 percent of the net output of Western European agriculture came from the three groups of products here considered. A breakdown shows cereals (excluding those used for feeds), potatoes and sugar beets, 20 percent; cattle products including milk, 40 percent; and pigs, 15 percent. Combining the three indexes according to these percentages as an approximate measure of the total supply of home-produced farm commodities gives the following results: pre-1914 - 100, late 1920's - 102, 1934-1938 - 113. For the complete period, say 1913-1936, this is equivalent to a compound rate of growth of approximately 0.5 percent, or approximately 0.6 percent if the war years are ignored. For the last decade alone, the growth rate is about 1.2 percent per annum, but this was a period of greatly increased use of imported feeds for livestock.

Even if developments in the sectors not covered by the analysis were markedly more favorable, and this is not likely, the over-all rate of growth of output (either gross or net) could not be increased appreciably. Then there is the already noted bias towards overestimating output. In all, the output of Western European agriculture during the inter-war period increased at the most by .75 percent annually, and probably at a lower rate.

¹ Economic Commission for Europe, Geneva, 1954

² ECE/FAO, Geneva, 1953

There is scattered independent support for this conclusion. In the United Kingdom, gross and net outputs were hardly changed in real terms for the period 1924-39. Real gross output was 3.5 percent higher for 1934-39 than for 1924-29. Real net output (after deducting all purchased imports) was 3.0 percent higher.³ Estimates for France indicate an increase in total output of less than 1 percent per annum from 1896 to 1936, with a slowing down in the rate of growth after 1913.⁴ Output grew more rapidly in Sweden, but from 1896-1905 to 1930-1939 averaged .87 percent annually with probably a slight increase towards the end of the period.⁵ Denmark is one of the few European countries which maintained a high rate of growth in the inter-war period, the annual increase in output being about 2 percent.

Finally, another investigation, by P. Lamartine Yates, offers the "guestimate" of a compound rate of increase in total production of .8 percent from 1909-1913 to 1953-1958, a figure which is raised by the rapid expansion since World War II.⁶

³ Ojala, E.M., Agriculture and Economic Progress, Oxford University Press, 1952 Appendix Tables XIX and XX

⁴ Svennilson, I., op. cit., p. 101

⁵ Ibid., p. 251

⁶ Food, Land and Manpower in Western Europe. Macmillan, 1960, pp.214-215

TABLE 1

Weighted Average Index Numbers for Production Value of Seven Crops, for Cattle, and for Pigs, Europe, 1909-1913, 1924-1928, and 1934-1938

Region	Production value of seven crops				Number of cattle				Number of pigs			
	Index of total value				Index				Index			
	units: 1909-1913 = 100				1913 = 100				1913 = 100			
	Weight ¹ 1909-1913	1924-1928	1934-1938		Weight ² 1913	1928	1934-38	Weight	1913	1928	1934-1938	
United Kingdom and Ireland	4.7	100	107	114	12.1	100	102	107	7.1	100	139	175
Scandinavia	5.1	100	112	143	8.8	100	117	120	6.6	100	170	169
Germany	21.5	100	85	104	18.7	100	99	107	31.7	100	89	115
Benelux and Switzerland	3.3	100	102	108	5.9	100	106	113	4.6	100	121	111
France	12.8	100	89	95	14.9	100	98	102	8.7	100	80	94
Italy	7.7	100	112	139	7.0	100	114	119	3.5	100	132	119
Weighted average	100.0	95.1	111.5		100.0	103.8	109.4		100.0	106.8	124.6	

¹ Total value units for region, 1934-1938, as percent of total value units for all Europe.

² Number of heads for region as percent of total number of heads, 1934-38, all Europe.

³ Number for region as percent of total number, 1934-38, all Europe.

Source: United Nations Economic Commission for Europe, Growth and Stagnation in the European Economy, Geneva, 1954, pp. 248-249

APPENDIX 2: Food for Peace

Prospects for Surpluses

The most convenient way to begin consideration of the limitations of agricultural policies in the rich countries is to consider what the situations of demand and supply for farm products will be up to 1975 in the West as a whole, assuming, for the sake of analysis, that farm policies will be maintained in their general objectives broadly as they were in the late 1950's. This means ignoring, for the time being, recent developments in United States agricultural policy, especially the Emergency Food Grain Program of 1961 and the measures envisaged for later years under the diluted Omnibus Farm Bill, which became law in July 1961. Similar analytical assumptions are implied for other western countries, particularly that supply controls will not be extended and that the government will make strong efforts to maintain the current relations between real farm and non-farm incomes in Europe. Canada and Australasia should be included in the analysis.⁷ But this discussion will be limited mainly to the United States and Western Europe without reducing the wider validity of the arguments.

(1) United States

Given the working assumptions, the basis for projecting the demand for United States farm products in 1965 and 1975 is provided by the evidence submitted to the Joint Economic Committee, 85th Congress, especially that by Rex. F. Daly and Raymond A. Iones, and by the subsequent work of James T. Bonnen, which embodies his evidence to the committee.⁸

Rapid population growth in the United States provides a strong impetus to demand. Since the more conservative of the periodic sets of estimates provided by the Census Bureau of the Department of Commerce have been continually falsified by events in recent years, it is best to use the upper limits of available projections. Accordingly, population is likely to increase from the base year, 1956, by 17 percent in 1965 to reach 196 millions and by 40 percent in 1975 to reach 235 millions.

Following Daly, real incomes per head can be taken to rise from 1956 by 16 percent to 1965 and by 40 percent in 1975. These increases in real incomes are likely to have but small effect on the quantities of food consumed

⁷ As should Argentina in view of its importance as a supplier of grains, even though it is politically outside the Western Community.

⁸ See Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability, 85th Congress, First Session (Washington D.C. 1957) and Charlton F. Christian (editor) Adjustments in Agriculture - A National Basebook, (Iowa State University Press 1961), pp. 125-151.

as distinct from expenditure on related services for the well known reason that the income elasticity of demand for quantities of food in the United States is probably between 0.15 and 0.20. By 1975 per capita consumption of food may increase by between 6.0 and 8.0 percent on the base year, 1956.⁹

The combined results of the postulated increases in population and in real per capita incomes, assuming real prices for food fairly close on average to those ruling in 1956, give probable increases in the domestic requirement for agricultural products as food or raw materials of not more than 20 percent from 1956 to 1965 and of not more than 52 percent from 1956 to 1975. Then,

⁹ Daly's forecast rests on the assumption that the two decades from 1956 would almost repeat the annual rates of general economic advance from 1925-29 to 1951-55. In the eleven years, 1950-60, per capita disposable personal incomes rose 18 percent, but mainly in the first six years; the total increase in 1956-60 was only 5 percent less than 1 percent per annum. In the future, growth may improve on recent achievements; it has undoubtedly been checked to some extent in recent years by anti-inflationary policies.

One's view of future prospects depends on the extent to which one regards the problem now as being due to structural unemployment rather than to general deficiency of demand. The severe unemployment which persists when the American economy has pulled out of recession, becoming proportionately more significant from one boom to the next, is not amenable to the established Keynesian prescriptions. It is no longer confined to some relatively isolated mining areas in the Appalachians. Unskilled labor generally seems to be becoming technologically unemployed as machines become more and more a cheaper substitute for it.

It is among the lowest paid one-fifth of the United States population that food consumption would rise most for a given percentage increase in income. Yet it is among this group that the smallest rise in purchasing power is to be expected even if real incomes for other groups rise rapidly. (Some compensation may come, however, from increased use of food stamps among the unemployed.)

Another uncertainty in the situation is growing concern in the United States over the effect on personal appearance and health of "over-eating." Already on this account the consumption of a few individual foods appears to have been appreciably checked. The current interest in total calorie intake could possibly provide a more powerful over-all limiting influence.

Neither of these arguments provide grounds for modifying greatly the forecasts given above, but they do provide additional reasons for regarding these as upper, rather than lower, limits to future increases in the demand for food stuffs.

allowance has to be made for the contracting export market for United States farm production. Also for the expectation that the demand for imported tropical foods will rise much more rapidly than the demand for homegrown supplies.¹⁰

In all, as compared with 1956, the demand for domestic agricultural production at constant real prices is likely to be higher by some 12 percent in 1965 and by some 36 percent in 1975, an approximate annual increase of 1.1 per cent for the 10 and 20-year periods.¹¹ For the decade 1966-75 these projections represent an average annual increase of 2.1 percent lower in the earlier years and higher in the later years.

¹⁰ Exports of United States agricultural products are assumed in this part of Daly's analysis to be in 1965 and 1975 at the 1951-55 levels, the years before large subsidies were used to boost exports. Exports of agricultural products in 1951-55 were by value 70 percent of those in 1956. Although extremely rough and ready, these suggested levels of future agricultural exports will probably be closer to experience than those projected in the study by A. Ioanes.

In two respects Ioanes' projections (Policy for Commercial Agriculture, pp. 119-126) seem to set the export market opportunities too high. They have perhaps been insufficiently pessimistic for wheat and almost certainly too optimistic concerning the opportunities for feed grains, especially in Western Europe. Ioanes projected that dollar sales of feed grains, principally in Western Europe, would more than double by 1965 from the base of 1951-55 and 1956-57 and that by 1975 they will be almost three times as large. Recent estimates up to 1965 by FAO are much less optimistic, emphasizing Western Europe's ability to produce feed grains and noting that net import into the European Economic Community may even decline.

In any case, it should be remembered that United States agricultural exports are equivalent in value to about one-tenth of United States agricultural production and that, therefore, errors in forecasts here can be more easily tolerated than in other parts of the analysis.

¹¹ Daly provides alternative forecasts of export home demand for American farm products on the basic assumption that substantial reductions in prices occur for cotton, wheat and major feed crops to bring them into competitive positions in the traditional export markets and that there will be some subsequent reductions in cattle and pig prices. These price reductions are as follows: cotton, 20 percent; wheat, 37 percent; corn, 30 percent; soybeans, 21 percent; cattle, 4 percent; and hogs, 9 percent. The detail projections for exports market are taken from the Ioanes study. Total farm output required would be higher than in 1956 by 16 percent in 1965 and 40 percent in 1975 respectively, increases of 1.6 percent and 2.0 percent per annum for the 10 and 20 year periods.

The political assumptions underlying this forecast are, to say the least, heroic.

Supply projections are much more difficult, even given the political assumptions temporarily made for the sake of analysis. This is because of the nature of the current technological revolution in agriculture. With allowance made for changes in the value of money and for temporary effects of the weather, the value of sales during the period 1910-60 from the farm sector to the rest of the United States economy and as exports doubled although the additional factors of production required during these years to secure the increase rose by less than one quarter.¹²

This remarkable increase in total production and in productivity did not follow a smooth pattern. There were two periods when progress was extremely rapid. During the years 1938-46 total output increased by more than three percent per annum, although the progress made during this period had been held back to some extent by the Great Depression of the 1930's and would have occurred earlier if farming had been more prosperous in the late 1920's and in the 1930's. The 1950's witnessed an annual average percentage increase in output of slightly under two percent, achieved with hardly any rise, if at all, in the level of total inputs.

Broadly speaking, these are the periods of the two revolutions in United States agriculture - the first mainly a revolution of the engineers and the second largely and increasingly a revolution of the scientists. Scientific improvements in, for example, seed has been going on, of course, for a long time and engineering improvements are still being applied in American agriculture. But, in general, the rapid growth in the productive capacity of United States agriculture in the earlier period was due to the great and economically-produced mechanical power which replaced human and animal effort. The achievements of the last decade have been principally those of the agronomist, biologist, botanist, etc.

The problem is to assess the future implications of this second revolution. Occasionally, agricultural economists strike a note of caution.¹³

¹² This conclusion, and the next paragraph, are based on the finding of Ralph A. Loomis and Glen T. Barton in Productivity of Agriculture in the United States, 1870-1958. (United States Department of Agriculture, Technical Bulletin No. 1238.)

¹³ R. G. Bressler in "Farm Technology and the Race with Population," *Journal of Farm Economics*, Vol. XXIX, No. 4, Nov. 1957, pp. 849-864, suggests that, bearing in mind that about 40 percent of the total increase in output from United States agriculture between 1935 and 1955 was due to virtually once-for-all effects such as replacing the horse by the tractor or exceptional weather effects, the technological challenges imposed by growing United States population may be much greater than is generally recognized.

Yet, the general concensus seems to be that the technological revolution shows no signs of exhausting itself, especially when account is taken of the accumulated know-how which remains to be fully employed within United States agriculture.¹⁴

The growth of total output in the last decade can be summarized as follows as an index: 1947-49 = 100; 1950-52 = 104; 1953-54 = 109; 1955-57 = 114; 1958-60 = 126 (provisional).¹⁵ The last three years of the decade experienced extremely favorable weather in the Corn Belt and the Grain Sorghum Belt which in part accounts for the sharp rise in the index for these years.¹⁶ In all, allowing for special effects of the weather, output during the last decade has increased annually by about two percent. The best working assumption is that this rate of increase will be maintained for at least the next decade.

(2) Western Europe

The picture for Western Europe is much less clear, partly because of the economic heterogeneity and political disunity of the region, partly because of the radical changes in the economic resilience of the Continental countries since 1945 in comparison with 1919-39, and also because of the lack of appropriate statistical and econometrical studies.¹⁷

¹⁴ The Paley Committee asked the question of a large number of agricultural scientists, "By how much could agricultural production increase, assuming that all known techniques were applied throughout American agriculture?" The weighted average of the answers came out at an 86 percent increase. These answers were in all probability based upon technical criteria which took no account of cost and profit conditions; even so, allowance for these economic factors would undoubtedly have left a large opportunity for increased production.

¹⁵ Agricultural Statistics 1960, United States Department of Agriculture, Table 662

¹⁶ In a recent but as yet unpublished study, Dr. Louis M. Thompson of Iowa State University estimates that some 10 percent more feed grains were produced in the United States in 1958-60 than would have been the case given average weather conditions, the difference being approximately the amount added to the feed grain surpluses.

¹⁷ Efforts are being made throughout Western Europe to fill the gaps in the information. Since preparing this report, a detailed British study has been completed: G. C. Clark, G. R. Allen and G. T. Jones, Expected Level of Demand, Supply and Imports of Farm Products in the United Kingdom in 1965 and 1975, Oxford University Institute for Research in Agricultural Economics, 1961. (Inquiries should be directed to Mr. Jones, the principal author.)

The base for an analysis is provided by a recent FAO report, Trends in European Agriculture and Their Implications for Other Regions.¹⁸ The FAO projections go only as far forward as 1965, but it seems reasonable to infer likely developments for a few more years from the results. Its conclusions in respect to supply can be supported by other scattered data, although various qualitative considerations give grounds for believing that even more rapid progress is economically possible and more likely than FAO envisages.

The FAO demand projections are based on alternative sets of assumptions concerning per capita income changes and are broken down into three groups of countries - the European Economic Community of France, Germany, Italy and Benelux; the Mediterranean countries of Spain, Portugal, Greece, Turkey and Yugoslavia; and the remainder comprising Scandinavia, Austria, Ireland, Switzerland and the United Kingdom. The details are shown in Table 2 (page 79). The wide ranges of possible income changes shown there are necessary in view of the great uncertainty about the probable future rates of economic growth. The tripartite regional division is partly to recognize the political entity of the European Economic Community and partly, except that Southern Italy is included with the rest of Italy in the European Economic Community group, to distinguish the low-income southern region from the more prosperous remainder.

Population is growing less rapidly in Western Europe than in the United States. Real incomes per head in most parts of the region are likely to grow much more quickly, even though the high rates of growth of the 1950's partly reflecting the making good of war damage, will almost certainly not be repeated, especially if the United Kingdom and Sweden continue to expand as slowly as in the last few years. The upper limit of the projected per capita income for Western Europe as a whole is set at an annual increase of 3.5 percent in contrast with the 4.6 percent experienced from 1950-58. Even so, this assumes a rate of growth outside the European Economic Community and Mediterranean countries appreciably higher than was attained in earlier years when conditions for growth were more favorable. Current developments in the principal country concerned, United Kingdom, are not encouraging. Of course, the rates of growth in the European Economic Community and in the Mediterranean countries might exceed the upper limits suggested for them in Table 2, but this is unlikely. The over-all upper limit to the forecasted rate of growth of real income is probably slightly optimistic.

The effects of rising incomes on food consumption need much more precise handling than for the United States. The lower levels from which Western Europe starts means that the demand for food will initially be much more responsive to income changes, but that the extent of the response will fall appreciably and perhaps rapidly as standards of living rise. The FAO study allows for the importance of curvilinear relationships between real income and food consumption by basing its projections on Louis Goreux' detailed studies of European demand for food summarized in Table 3 (page 80).

TABLE 2

Projected Population and Income Growth in Western Europe, 1956-1965

	Population		Assumed real per capita income				Growth of real per capita income 1950-1958, percent per year
	Index 1956 (1955-1957 = 100)	Percent per year	Index 1965 (1955-1957 = 100)		Percent per year		
			Low	High	Low	High	
Mediterranean countries	113	1.35	121	141	2.2	3.9	4.5
European Economic Community	107	0.74	127	140	2.7	3.8	6.0
Scandinavian countries	106	0.62	122	132	2.2	3.1	
Austria, Ireland, United Kingdom and Switzerland	104	0.46	121	131	2.1	3.1	2.5
Total for Western Europe	108	0.86	123	136	2.4	3.5	4.6

Sources: "Trends in European Agriculture and Their Implications for Other Regions," Monthly Bulletin of Agricultural Economics and Statistics, Vol. IX, No. 11, November 1960, and private communications.

TABLE 3

Projected Demands for Foods in Western Europe, 1956-1965

	Mediterranean countries		European Economic Community		Other countries		Total for Western Europe	
	Low	High	Low	High	Low	High	Low	High
1955-1957 = 100								
National income	136	159	136	150	127	137	133	147
Total food consumption valued at farm-gate prices	123	127	116	118	111	113	116	113
Per capita food consumption valued at farm-gate prices	109	113	109	111	106	108	107	109

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Source: L. M. Goreux, "Income and Food Consumption," Monthly Bulletin of Agricultural Economics and Statistics, Vol. IX, No. 10, October 1960, Table 5, p. 12

In principle, the FAO methods of analysis may appear incompatible with the working political assumptions on which this study is based. Levels of consumption rather than levels of demand are forecasted. In the first stage of the analysis, demand is projected assuming no change in real prices to consumers; similarly, production is projected assuming no change in agricultural policies and relative prices of farm products. These forecasts have often implied lack of balance between demand and supply at the forecasted date, so that the second stage of the analysis has consisted in reconciling the demand and production projections through assumed price adjustments and changes in agricultural policies, taking into account the export and import prospects.¹⁹ Thus allowance has been made for such changes in relative prices which might be made to switch resources from products with more limited markets to those with greater opportunities and for resulting effects on levels of consumption, given the elasticities of demand.

For example, in the case of milk products in the European Community, production is likely to increase more rapidly than demand. Milk surpluses would be transferred into butter and substantial exportable supplies from the Community should become available by 1965. In view of the limited scope for butter exports from the Community to the London market, the major world market for exports, it is considered that part of the butter surpluses would have to be consumed within the Community and that to achieve this increase in domestic consumption would require a price reduction.²⁰ Thus, under the low income assumption of Table 3, it is considered that butter demand would increase by 17 percent at constant prices, but that in view of the large expected increase in milk production, 20 percent, the price of butter will generally decline and consequently the consumption of butter might increase by 22 percent instead of the originally-suggested 17 percent. For liquid milk, it is not necessary to allow for the price effect of an attempt to clear increased supplies from the market because the price elasticity of demand for fluid milk is extremely low in countries which have or are likely to have milk surpluses. For cheese, the demand is slightly price elastic and some allowance has been made for a slight price effect on the demand for cheese.

At the opposite end of the economic spectrum, production of beef in the Mediterranean countries is expected to increase at a lower rate than demand, especially if incomes rise at the higher rate postulated. Beef supplies are limited and most of the low-income Mediterranean countries would be unwilling to spend much foreign exchange on imported beef. So, it has been assumed that consumption would remain below the projected demand at constant prices and that equilibrium would be obtained through an increase in beef prices. For Western Europe as a whole, in view of the likely milk

¹⁹ See Trends in European Agriculture, p. 1 and 9. The more detailed illustrations of the next two paragraphs are based on correspondence with Mr. Louis Goreux.

²⁰ If Britain joins the European Economic Community, this assumption will, in effect, hold even more strongly. Britain will no longer be a "dumping ground" for Continental supplies.

surpluses and the relative scarcity of beef, governments will stimulate beef production at the expense of milk as much as possible.²¹

Yet these adjustments do not greatly flout the political assumptions made earlier, namely that farm policies would be maintained in their general principles as they were in the late 1950's. The higher price and income elasticities of demand at the farm gate in Western Europe, as compared with the United States, and the much greater degree of diversification on individual farms and within regions in Western Europe mean that greater changes in relative prices for farm products and in the commodity terms of trade of agriculture are compatible with our underlying assumptions about future policies. Moreover, although the FAO investigators have made no specific assumptions concerning income parity between farm and non-farm groups, it seems unlikely that the general fall in farm prices implicit in the FAO adjustment are great and that, allowing for improvements in farm efficiency, they do not imply an appreciable fall in farm incomes. In so far as the adjustments are incompatible with our underlying assumptions, the FAO inquiries somewhat overstate, but only slightly, the likely increased European demand for farm products. Although the product mix is changed somewhat, the projections of aggregate demand and supply are unlikely to differ greatly from those which would have been derived if the second stage of the FAO analysis had not been carried out.

In general, given the broad continuation of current policies, the demand for farm products at the farm gate in the three groups of European countries will have probably increased at most from 1956 to 1965 by 27 percent in the Mediterranean countries, by 18 percent in the European Economic Community and by 13 percent in the remaining countries, giving an increase of 18 percent for the whole of Western Europe. These represent annual compound rates of growth of respectively 2.7 percent, 1.9 percent, 1.4 percent and 1.9 percent. These rates are, of course, averages for the period. For, say, the years 1965 to 1970, if population and per capita income continue to increase as before, the annual expansion of demand for food will be somewhat lower.

Past and prospective changes in the supply position of Western Europe's agriculture cannot be examined in the same degree of statistical detail as were those for the United States, especially for the period before World War II. The sources of changes cannot be so accurately identified, and care must be especially taken to allow for the changing degree of reliance on imports as a source of animal feed.

²¹ It also seems likely, although FAO has made no allowance for this, that production of feed grains at the expense of good quality wheat will in some cases be encouraged and will serve as a further stimulus of meat supplies, especially beef.

Between 1919-39 the performance of agriculture in the various Western European countries differed greatly, one with another. At the one extreme, total agricultural production in France perhaps fell; in Germany, Benelux and Switzerland it rose very slightly; only Scandinavia, Ireland and the United Kingdom, and to a lesser extent Italy, achieved any appreciable increases.

In all, the total agricultural production of Western Europe probably increased by no more than .75 percent annually from immediately before World War I to the end of the 1930's ... and perhaps by much less. The basis of these conclusions are some extremely approximate calculations, given in Appendix 1, which can be summarized indexwise as follows: pre-1914 = 100, late 1920's = 102, 1934-38 = 113. For the whole period, this is equivalent to a compound rate of growth of approximately 0.5 percent annually, or of approximately 0.6 percent annually if the war years are ignored. In the 1930's the annual rate of growth was about 1.2 percent, but this was a period of greatly increased use of imported feed for livestock, especially in Denmark, the Netherlands and the United Kingdom - a period of intensified use of existing techniques much more than a period of changes in techniques. The productive power of Western Europe's resources within agriculture increased less rapidly, even though at a greater rate than in the 1920's.

Since 1945 agricultural production has grown more rapidly. There was an exceptional spurt from 1948 to 1953 when the ravages of war were being overcome. But for the period from 1934-38 to 1956-58 as a whole, agricultural output (excluding both home grown and imported animal feeds) has increased at about 1.4 percent compounded annually. In the last three years of the 1950's the average annual increase was greater than that for the rest of the decade, but, in possible contrast to the experience of the United States, this improvement was not due in any significant degree to exceptionally good weather conditions.

The main results for the last 50 years are summarized in Table 4.

TABLE 4

Average Annual Rates of Growth in Agricultural Output in
Western Europe, 1909-13 to 1956-58

	1909-13 to 1934-38	1948-52 to 1953-55	1953-55 to 1956-58
Crops (including animal feeds and seeds)		3.1	0.9
Livestock products		4.9	2.5
Agricultural output (excluding homegrown and imported animal feeds)	.75 (maximum)	3.9	1.4

Sources: See Appendix 1 and FAO, The State of Food and Agriculture 1959, Tables II-3 and II-4.

The technological revolution in agriculture has come generally much later in Western Europe than in North America. There is some limited information suggesting that both in Sweden and in the United Kingdom in the late 1930's new techniques were being adopted more quickly than before and were producing a marked rise in the rate of growth of productivity.²² But generally, the overall technical changes in Europe before World War II were extremely small in comparison with those in the United States. Only the United Kingdom had achieved, for example, any marked replacement of the horse by the tractor.

But 20 years later this picture of a technically stagnant agriculture would no longer apply. In 1939 there were 200,000 tractors in Western Europe, in 1948 there were 850,000 and in 1957 there were 2,300,000, not counting horticultural tractors and motorized cultivators. In the same period the tonnage of artificial fertilizers used had more than doubled. European statistics of farm populations are sufficiently reliable only in the north-western countries to give a reasonably accurate measure of the change in the numbers of people dependent on agriculture. There a farm population decline of 20 percent has occurred in the last decade. But in most other areas, even where the agricultural population has not fallen absolutely, it is now a much smaller proportion of the total population. Dr. Mordecai Ezekiel, until recently in charge of the Economics Division of FAO, could say with justice in August 1960: "Since World War II, especially in the 1950 decade, European agriculture has gone through a veritable technical revolution, with yields per acre increasting more in one decade than in the previous three or four, almost half the horses replaced by tractors and a rapid reduction in farm population."²³

FAO now predicts agricultural output in Western Europe to rise by something over 20 percent by 1965 on the base period 1955-57. That is at 2 percent per annum. This expectation, broken down into groups of countries, becomes about 30 percent for the Mediterranean region, 20 percent for the European Economic Community and 15 percent for the remaining countries, mostly in the northwest, giving annual compound percentage rates of growth of respectively 3.0, 2.0, and 1.6.²⁴

²² Colin Clark, *World Supply and Requirements of Farm Products*, Journal of the Royal Statistical Society (London, 1954), Series A (General), Vol. 117 Part III, pp. 263-296

²³ Mordecai Ezekiel, "Impact and Implications of Foreign Surplus Disposal on Developed Economics and Foreign Competitors: The International Perspective," *Journal of Farm Economics*, December 1960, p. 1064.

²⁴ *Op.cit.*, *Monthly Bulletin of Agricultural Economics and Statistics*, FAO November 1960, p. 2. To a slight extent some of the regional differences are due to the adjustments made during the FAO calculations to bring demand and supply more into balance, anticipating likely modifications of existing agricultural policies, as discussed earlier.

These may well prove conservative estimates. In addition to the land yet to be released by replacing animal work stock by the internal combustion engine, an extremely important once-for-all source of increased agricultural output in Western Europe is provided by the opportunities for consolidating scattered pieces of land in fragmented farms into compact holdings even though, as is the case with the work stock, the gain might take many years to be realized completely.

Throughout Western Europe consolidation programs depend on the majority support of farmers in individual communes, and so far progress has been limited. But the startling benefits to productivity where consolidation has taken place are getting to be widely known. Already in Germany, and probably in certain parts of France, the demand for consolidation is overtaking the supply of the professional staff required to carry it out. This may soon be the situation elsewhere.

In all, taking into account the rapid migration from the land and the increasing opportunities in the towns, the necessary exchanges of plots among farmers, either by private individual negotiations or through official schemes, may occur fairly rapidly and, subject to the availability of technical staff, at an accelerating pace. This being so, it should be remembered that consolidation of scattered plots of land represents perhaps the most productive investment in Western European agriculture today.

It is not always easy to distinguish the true net gains due to consolidation from the other factors associated with it. There is a large release of labor from unproductive walking from plot to plot, as well as economies in the use of capital equipment. Better techniques become possible once consolidation occurs, but they often require new and more costly forms of capital. In any case, they are adopted. An informed guess suggests that, for an extremely small outlay on technical and legal expenses of consolidation, typical increases in net output may lie between 20 and 30 percent. Certainly, and this is our main concern here, gross output is likely to increase by such amounts.²⁵

Migration from the land has probably not yet resulted in any appreciable rise in average standards of farm management. Apart from a few cases such as Sweden and apart from the United Kingdom, movement out of agriculture has not yet gone far enough to reduce the number of farms greatly, except in some of the more mountainous and less productive areas. But if Western Europe remains generally prosperous, the next decade will almost certainly witness a dramatic reduction in the number of farms, full time as well as part time, as in the United States during the last 20 years. On average,

²⁵ This is based on the writer's discussions a few years ago with agricultural engineers working on, or informed about, the consolidation schemes in France. Detailed studies are urgently needed.

the less efficient farmers are likely to leave particular districts. With larger farms the average standard of management should improve, even assuming no individual improvements in the technical standards of those who remain, because outside the Low Countries, northeast France and certain parts of the United Kingdom, the technical competence of individual farmers varies greatly within particular districts.

But, of course, there will be great improvements in technical standards of individual farmers. The most significant point in any appraisal of likely production prospects in Western Europe is that the two agricultural revolutions which can be distinguished in the United States during the last 30 years are occurring simultaneously in Europe, namely the revolutions of the engineers and of the scientists. And for once Europe has the advantage of the late start, able to employ immediately the most profitable of the technologies accumulated over a long period in the United States and in the few technically progressive areas of its own. One example is provided by the dramatic increase in grain yields obtained in many areas recently; another is the developing broiler industry.

One factor promoting these changes is the pressure on farm incomes. While most, if not all, Western European governments are genuinely trying to support farm incomes, the inescapable pressure of supply on demand has squeezed farm incomes. The fall in price of farm products and pressure on farm profits is forcing farmers to find unused technical opportunities in an attempt to avoid declining net farm incomes. As in the United States, some farmers are forced to adopt more productive technologies when previously they have preferred the more leisurely practice of maintaining existing techniques which had been adequately profitable before prices fell. For example, in the last few years British producers on the smaller farms have reacted to falling egg, pig and milk prices by intensifying their efforts except in so far as they have been able to take the opportunity provided by changes in relative prices to shift to other products, especially beef cattle. Further, such is the paradox of the situation today in Europe that, in trying to develop selective programs of aid to smaller farms, many countries are using methods which will speed the increase in output.²⁶

²⁶ In the agriculture which rely heavily upon imported feed grains, such as in Britain, Holland and Denmark, a selective reduction in egg, meat and milk prices may be associated with a reduction in supply without releasing resources for other uses on farms. Even in these cases, the changes in supply will probably be small unless discriminatory pricing schemes, as envisaged in the governmental proposals in March 1961 to limit milk production in Britain, are introduced whereby the price for marginal supplies from the individual producer are markedly below the average price offered him. (Incidentally, in November 1961 a referendum among British milk producers failed to produce the required majority in favor of supply control.)

Bearing in mind these considerations, the annual compound rate of increase of supply of agricultural products for the whole of Western Europe could easily be nearer to 3 percent than to the 2 percent suggested by FAO, the Mediterranean countries and the European Economic Community contributing most. It could last at least until 1970 and perhaps until 1975, barring quantitative restrictions on output.²⁷

(3) The Balance of Demand and Supply

The forecasts made earlier are no more than informed guesses which could easily be falsified by events. Rates of population growth in a period of 15 or 20 years can change greatly, as they have in the past. This is especially relevant for the longer term projection of demand for the United States. Per capita real income projections could be wide of the mark although, if so, this would not be important for the United States where the income elasticity of demand for food and fiber at the farm gate is already extremely low. In Western Europe, income elasticities of demand for farm products are still sufficiently high for the margins of error in estimating them to constitute an important source of inaccuracy in the forecast - in either an upward or downward direction. But, the greatest uncertainties are found in assessing the impact on agricultural supplies of the rapidly accumulating technological information both in the United States and Western Europe.

However, the analysis has contained important elements of caution as far as any tendency to forecast surpluses is concerned. A minor point is that the United States projections overestimate, rather than underestimate, the likely growth of per capita real income. Much more important are two features of the European analysis. First, the high income assumptions have been used to insure that the future demand for farm products at the farm gate is set too high rather than too low. Second, the analysis is presented so as to show the likely demand-supply positions even if the supply of farm products increases by only 2 percent annually; given the maintenance of existing policies, it is likely to grow at a much higher rate, perhaps reaching 3 percent annually.

The main results of the foregoing analysis are presented in Table 5 on page 88. Even noting the considerations just stated, these results show that, taking the United States and Western Europe together, surpluses are likely to increase during the 1960's and that they will remain large for many years more. More specifically, barring restrictions on production, United States surpluses are likely to grow during the 1960's, although at the end of the decade supply may be expanding no more rapidly than demand: in the

²⁷ See P. Lamartine Yates, Food, Land and Manpower in Western Europe, Macmillan Co., 1960, pp. 215-6 for a view much nearer that of the writer than that of FAO.

TABLE 5

Summary of Forecasts of Annual Percentage Growth of Demand and of Supply for Farm Products in the United States and in Western Europe 1960-1975, Assuming No Important Changes from Agricultural Policies in Use in Late 1950's

United States

1960-1965: Demand, 1.1; supply, 2.0

1965-1975: Demand, 2.1 (lower in the earlier and higher in the later years); supply, 2.0 in the early years; thereafter no forecast made.

Western Europe

1960-1965: Demand, 1.9; supply at least 2.0 and perhaps as high as 3.0. These total projections can be broken down by groups of countries as follows:

Mediterranean countries: Demand 2.7; supply at least 3.0 and perhaps as high as 4.0

European Economic Community: Demand, 1.9; supply at least 2.0 and perhaps as high as 3.0

Other countries (including Scandinavia and the United Kingdom): Demand 1.4; supply, 1.6 and perhaps higher, say 2.1.

1965-1970: All over the region, demand likely to grow appreciably less rapidly than in 1960-1965, while supply likely to grow as before.

1970-1975: All over the region, demand to grow probably even less rapidly than in 1965-1970, while supply likely to maintain previous rate of advance.

early 1970's there is a real possibility that demand may be outpacing supply. In Western Europe during the next few years, there will probably be a slight tendency to add to the existing small surpluses but, again assuming no major changes in farm policies and no restriction on production, the imbalance will be much more serious towards the end of the decade. This situation is likely to continue during the first half of the 1970's.

In all, the West faces problems of large and accumulating agricultural surpluses for at least another 10 years. In the United States, the main problem will continue to be the principal price-supported crops—grains and cotton, and tobacco. In Western Europe grain surpluses may be minimized by reducing imports, and the problems of excess production will be relatively more important for milk and certain milk products, pork, poultry and eggs.

The foregoing prognostications are intended simply to give a focus. Clearly, the underlying assumption that farm policies will remain unchanged from what they were in the late 1950's is unrealistic and has only analytical validity. The next step is to explore the alternative changes in policy which might be undertaken to deal with the surplus problem, taking into account the important political constraints on the freedom of action of the governments of the United States and in Western Europe.

APPENDIX 3: Some Extracts from G. Myrdal, The Political Element in the Development of Economic Theory²⁸

"By operating with definitions which purport to be universally valid, people have often succeeded in making an implied political principle appear logically 'correct'. Psychologically, it is the other way around. The emotive force which is rationalized in the implied principle makes the normative element that has been disguised in the definition appear to be absolute and 'correct'. The perpetual game of hide-and-seek in economics consists in concealing the norm in the concept. It is thus imperative to eradicate not only the explicit principles but above all the valuation tacitly implied by the basic concepts. Being concealed, they are more insidious and more elusive, and hence more likely to breed confusion.".... p. 192.

"It should be one of the main tasks of applied economics to examine and to unravel the complex interplay of interests, as they sometimes converge, sometimes conflict. This ought to be done by economists because the intricacies of the price system are such that interests often run along different lines from those suggested by a superficial examination. It would be of great practical importance to reconstruct precisely the social field of interests. In the first place, we should want to know where interests converge, for in these cases we could make at once generally valid recommendations. We should also want to ascertain where lines of interest intersect. In these cases we could offer alternative solutions, each one corresponding to some special interest. Both types of solution can claim objectivity, not because they express objective political norms, but because they follow from explicitly stated value premises which correspond to real interests. The solutions are of practical interest to the extent to which their value premises are relevant to political controversies, i.e. in so far as they represent the interests of sufficiently powerful social groups." p. 198.

"Under the pressure of socialist and institutionalist criticism, there began a retreat from the conservative interpretation of the doctrine of harmony. Laissez-faire was no longer considered to be in the interest of society under all circumstances. It was thought that there was room for improvement, particularly with respect to income and property distribution. Nevertheless, the conviction persisted that such reforms and the resulting social order are in the interest of society as a whole. Harmony of interests was no longer thought to apply to the status quo but to a social order which had to be brought about. J. S. Mill introduced this revolutionary tendency into classical welfare theory. It is equally metaphysical because it rests on the belief that the ideal order can, in principle, be determined and that, if this has not been done yet, it is merely due to imperfect knowledge. The idea that one can judge social policy from a 'purely economic point of view' is thoroughly metaphysical. It assumes tacitly that there is such a thing as the interest of society as a whole, and that particular interests, though superficially antagonistic, are

²⁸ Routledge and Kegan Paul, Broadway House, London, 1961 (3rd impression.) (Reprinted by permission of Harvard University Press.)

at heart reconcilable. The same tacit assumption confined the discussion of practical problems to those general 'principles' whose role we have tried to illustrate above." pp. 194-195.

"..... interests may run along quite different lines. All institutional factors which determine the structure of the market, indeed the whole economic system including its tax and social legislation, can be changed, if those interested in the change have enough political power. Very different interest constellations would be relevant in this wider setting. Moreover, the situation will look different according to whether we examine short-term or long-term considerations.

"An inquiry into economic interests should therefore treat the whole institutional set-up as a variable. It should also examine to what extent any groups are sufficiently powerful to bring about institutional changes, and it should finally trace the repercussions of various possible institutional changes throughout the price system." pp. 196, 197.

"To sum up: Economists are on safe ground as long as they describe actual events and their causal connections, and as long as they examine the effects of certain clearly defined 'interventions' under specified conditions. In order to make economics into a practical technique or technology, we should have to analyze in detail the field of economic interests. The main obstacle to such an analysis is the fact that the institutional set-up is not given but is changeable in various directions and to various degrees. We must, moreover, know the distribution of power amongst social groups in order to estimate what institutional changes are feasible.

"The technology of economics should reflect possible strategies in a 'war game'. It would be of practical importance if it throws light on the possible course of future developments and probable trends. It could also be used to clarify the relation between various programmes and the interests of the groups which sponsor them.

"Certain policies may thus be seen to be ill-conceived or doomed to failure from the start. In this way political intentions could be clarified and orientated. Such a study of the politics of economics could claim to be objective, just because it makes no recommendations save those which follow some specified, clearly expressed interest. For the same reason, it could not yield absolutely valid conclusions in the sense of postulates of an economically correct conduct as such, except, possibly, in the limited sphere where interests can be shown to be identical.

"Such an economic technology is in the best tradition of political economy, which has always aimed at social policy. It would have to become more relativistic, i.e. it would have to be related to explicit and concrete value premises. If this science of economic politics, after thus having been

made conditional and relativistic, is to have any practical significance, the chosen value premises must express the interests of all the strong social groups. This requires an analysis of the field of social interests. But the crucial problem is to discover those interests, while taking account of all the institutional changes which are feasible under political pressure."
 pp. 198, 199.

"A technology of economics should not accept attitudes which are based upon erroneous conceptions of the real world. Ideally, it would have to build on attitudes which are individuals with false opinions, given their general emotional dispositions would have, if they knew all the facts; or, to make the condition more sensible, if they knew all that is actually known by contemporary experts. We are thus faced with the task of inferring from observed actual attitudes those potential attitudes which various groups would take up in potential situations on the unrealistic assumption that they had a clearer understanding of economic phenomena." ... p. 202.

"Economics as a science is not concerned with the political problem of moulding attitudes. It cannot pronounce on questions of value. The technology of economics must take certain attitudes as given and cannot lay down what they ought to be. It can, however, help to keep the political struggle more honest. In so far as the public pay any attention to it, it may prevent their attitudes from being based on false notions about the facts and particularly about the relations between economic interests. A situation in which intellectual sanitation of this kind would be even more important than today may arise if the state, or powerful groups which control sufficient material resources and have command over the necessary techniques, should want to use the propaganda machine in order to pervert public opinion."
 p. 206.

APPENDIX 4: Inevitable Dualism

Since there are many factors preventing completely perfect mobility of labor, economic dualism is often an unavoidable consequence of rapid growth and, in a sense, is a healthy symptom that development has replaced stagnation rather than a cause for concern.

Miss E. Gilboy provides interesting information in her book Wages in Eighteenth Century England, (Harvard University Press, 1934) which can be used to show that England, during the early stages of the Industrial Revolution, experienced economic dualism. She analyzes the course of money and real wages in three parts of the country - the region around London, the west country, and the northern counties where most of the early industrialization occurred. She summarizes her admittedly approximate results by making the following estimate of the course of annual money wages in the three areas (p. 220), showing elsewhere that the relative changes cannot be accounted for by regional changes in retail prices.

	<u>London</u>	<u>the West</u>	<u>the North</u>
1700	25- 0-0	17-10-0	11- 5-0
1725	27-10-0	17-10-0	13-15-0
1750	30- 0-0	17-10-0	15- 0-0
1775	30- 0-0	18-15-0	22-10-0
1790	30- 0-0	20- 0-0	26- 5-0

Her general conclusions are as follows: "In three very dissimilar districts, the course of the workers' daily wages in terms of money and estimates of real wages have been presented. No general tendency common to the three regions has been discovered. Not only the movement, but the levels of wages, differed. This fact is all the more important, as it was found that the regional divergences of the price of grain, used as the measure of real wages, were not marked. The course of wages, then, was little or not at all related to the movements of living costs.²⁹ In three of the most important sections of England the situation of the laboring population was highly diverse. The lot of the northern laborer became continually more favorable, that of the western laborer worse. The London working man more than managed to hold his own." (pp. 219 and 225.)

This dualism in the British economy continued well into the middle of the nineteenth century, at least until the coming of railways made the labor market much less geographically imperfect.

British experience is not typical. There are many instances to show that some dualism is in practice inevitable in a growing economy, even where market forces are doing a satisfactory job in promoting development.

²⁹ Adam Smith observed that wages were entirely unrelated to the price of corn, particularly over a short period. Wealth of Nations, Everyman ed., p. 66. vol. I.

APPENDIX 5: Hostility to Foreign Merchants and Traders in Underdeveloped Countries.

The hostility to foreign merchants and traders seems to be a common and continually recurring features as one compares the early economic development of various underdeveloped countries. This note considers foreign merchants and traders in England during the later Middle Ages; it is based directly upon W. J. Ashley's An Introduction to English Economic History and Theory, Part I, Chapter 2, Sections 13 and 14, from which the quotations are taken, and upon Part 2, Chapter I.

By the end of the twelfth century there was a thriving trade between England and continental Europe, with continental merchants and traders operating in the country in, relatively speaking, large numbers. They were not . . . unwelcome. But they were regarded with constant suspicion, lest they should succeed in what, of course, they were ever attempting, viz., in breaking down the monopoly of the English merchants themselves in the internal trade. Hence, we find them subjected to a stringent code of regulation, drawn up and enforced by the municipal authorities. They had to buy their goods only of "burgesses." They were obliged to sell only to "burgesses," and then only on market days, i.e. in full publicity. They could not venture into retail trade. They could not go inland with their goods. To insure their not going beyond the limits marked out for them, another regulation forbade them from remaining in the country more than forty days.

The Magna Charta (1215) nominally provided for much greater freedom of trade within England for foreign merchants. However, English merchants were able effectively to maintain their exclusive rights for a long time, although both the king and the great nobles had vested interest in encouraging foreign merchants who would bid up the prices of what they had to sell from their estates and bid down the prices of imported luxuries. Gradually various concessions were made to foreign merchants and traders. But it was not until 1303 that Edward I was able to make a strong attack on the monopolistic privileges of the indigenous London merchants. Then, "in return for the payment of additional customs, he abolished all the previous limitations as to the time and place of residence, and as to the persons to whom goods might be sold." Significantly enough, the monopolistic position of indigenous traders in retailing was virtually confirmed.

Even so, there was continual struggle between the king and the indigenous London merchants and traders for about 50 years before the decisions of 1303 became really effective. Even then, the story is not ended, especially outside London, as can be seen in Part 2, Chapter I of Ashley's book.

It is worth noting that this hostility to "foreigners" existed between the merchants and traders of English towns. The negotiations between various towns for freer and reciprocal trading rights would read, one suspects, very much like recent negotiations at GATT.

In the end one of the most effective forces breaking down the monopoly of the indigenous London merchants and traders in the internal trade seems to have been the compactly-organized and, therefore, politically-effective Hanseatic League.

Economic xenophobia is not a product of twentieth century unrest alone, "Plus ca change, plus c'est la meme chose."